

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Mexico

Avocado Annual

Greater Volume of Mexican Avocados to the U.S. Market

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Report Highlights:

Mexican Hass avocado production is forecast to be 1.8 million metric tons (MMT) in marketing year (MY) 2016/2017. Michoacán is the world leader in avocado production and accounts for 80 percent of total Mexican avocado production. Exports for MY 2016/17 are forecast to increase to over 1.0 million metric tons. Exports to the United States are expected to continue to be strong and growing.

Commodities:

Avocados, Fresh

Production:

Post's avocado production forecast for marketing year (MY) 2016/17 (July/June) is 1.80 million metric tons (MMT) based on marketing intelligence. However, frost and low temperatures during March 2016 affected avocado production in the state of Michoacán. Overall production, however, is expected to be good. Sources indicate that the implementation of phytosanitary pest control programs has helped boost production. Production estimates for MY 2015/16 are 1.64 MMT, based on official estimates. Production estimates for MY 2014/15 remain unchanged from previous estimates at 1.52 MMT.

The Mexican Avocado Association of Producers and Export Packers (APEAM – Asociación de Productores y Empacadores Exportadores de Aguacate de México) has started working with producers in Michoacán to invest in technological improvements to ensure that avocados are free of pests and chemical or biological residues. This investment continues to improve the quality of the fruit. Michoacán is Mexico's leader in avocado production and accounts for 80 percent of total Mexican avocado production.

The majority of avocado production in Michoacán occurs in small orchards of just five to ten hectares. 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 \$70,043 pesos/Ha (USD \$3,650/Ha) using basic technology to about \$87,000 pesos/Ha (USD \$5,160/Ha) with advanced technology that includes machinery and irrigation systems. The recent depreciation of the peso against the dollar will increase these costs. 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 2016/17 are forecast between 9.0 and 9.2 MT/ha. Overall yields for MY 2015/16 are estimated at 9.8 MT/Ha.

Local newspapers have reported that there is concern about the destruction of hectares of forest due to illegal logging of trees for wood and wood products and also to convert land illegally to avocado plantings, particularly in Michoacán. Different government organizations including the Secretariat of the Environment and Natural Resources (SEMARNAT), and the National Institute of Forestry, Agriculture and Livestock Research (INIFAP) among others, have denounced this practice. Sources indicate that part of the deforestation is a result of the profitability of planting avocados and selling them in the international market.

The Federal Attorney for Environmental Protection (PROFEPA) has carried out operations to stop illegal logging of forests activities and illegal change of land use. APEAM has expressed its commitment to establishing an extensive reforestation program that has planted more than 500,000 pines in Michoacán since 2010. They plan to have 280,000 more trees planted in 2017 and 320,000 in 2018.

Total area planted for avocados in Mexico for MY 2016/17 is forecast at 203,732 hectares (Ha), an increase of 8.7 percent over MY 2015/16 area planted, as growers in different states in Mexico are interested in increasing area due to good domestic and international demand for Mexican Hass avocados. Avocado area planted estimates for MY 2015/16 are revised upward from previous estimates

to 187,327 Ha and area harvested is revised up to 166,944 Ha according to official data. Areas planted and harvested for MY 2014/15 remain unchanged at 175,939 Ha for area planted and 153,770 Ha for area harvested.

Table 1. Mexico – Avocado Planted Area for Selected States			
States (Ha)	Estimates MY 2015/16	Forecast MY 2016/17	Percent increase
Chiapas	3,147	3,294	4.6
Guerrero	4,439	4,468	0.6
Jalisco	17,041	17,812	4.5
Michoacán	134,941	147,720	9.4
Mexico State	8,162	9,434	15.6
Total	187,327	203,732	8.7

Source: Secretariat of Agriculture, Livestock, Rural Development, Fisheries and Food/Agrifood and Fisheries Information System. (Secretaria de Agricultura, Ganaderia, Desarrollo Rural, Pesca y Alimentacion/Servicio de Informacion Agroalimentaria y Pesquera) -SAGARPA/SIAP

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 2016/17 is forecast to be about 600,000 MT; however, this will depend on domestic supply and prices. Fresh domestic consumption for MY 2015/16 is estimated at 540,000 MT, slightly lower than expected due to a lower demand at higher prices and higher volume of exported product. Fresh domestic consumption for MY 2014/15 is estimated at 634,000 MT, as demand was good. There is a grower’s preference for the export market first, and then the rest is consumed by the domestic market, as avocados are a staple food in most Mexican households. Per capita consumption has been decreasing according to growers from 8 kg to about 6.8 kg per capita because of increasing exports and higher domestic prices. Prices for MY 2016/17 began at high levels compared to MY 2015/16 but are likely to decrease as the domestic crop is expected to be good. Domestic prices increased during June/August 2016 as the transition of marketing years resulted in lower volumes of avocado harvested, thus a lower supply of avocados were available in the market.

Table 2. Mexico: Avocado Wholesale Prices
Mexico City MX Pesos/Kg

	2014	2015	2016	% Change
January	19.16	16.32	16.00	(1.96)
February	19.64	17.18	18.67	8.67

March	23.42	19.77	18.48	(6.52)
April	30.56	24.28	19.68	(18.94)
May	33.45	25.65	30.44	18.67
June	31.28	25.60	43.27	69.02
July	30.02	25.56	44.12	72.61
August	27.44	23.12	30.48	31.83
September	20.48	19.29	29.44	52.61
October	15.56	17.16	27.85	62.29
November	15.75	15.65	N/A	N/A
December	15.96	15.52	N/A	N/A

Source: Servicio Nacional de Información de Mercados ([SNIIM](#))

2014 Exchange Rate Avg.: U.S.\$ 1.00 = \$ 13.29 pesos

2015 Exchange Rate Avg.: U.S.\$ 1.00 = \$ 15.85 pesos

October 27, 2016 exchange rate U.S. \$ 1.00 = \$ 18.64pesos

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.

Fresh avocado exports continue to drive producer profitability despite the fact that other market niches are developing (for example, the extraction and export of avocado oil for the cosmetic industry). The cosmetic industry has not taken full advantage of this demand segment as there is a consumer perception that avocado byproducts are expensive. A small amount of avocado oil is sold for food use.

Trade:

Traders forecast avocado exports for MY 2016/17 to increase over 1.0 million metric tons due to expected good international demand. The depreciation of the peso against the dollar has helped international sales in general. According to the Global Trade Atlas (GTA), exports for MY 2015/16 increased to 960,362 MT from 736,421 MT in MY 2014/15. In general, exports have been increasing due to good international demand and year-round market access to all 50 U.S. states. International prices increased during June/August 2016 as the transition of marketing years resulted in lower volumes of avocado being harvested and consequently lower volumes of avocado exports. Problems between growers and packers in the state of Michoacán caused a strike in early October 2016 that resulted in a harvest slowdown, which lowered exports and increased international market prices. Small and medium producers blocked several roads in Michoacán preventing the mobilization of trucks. Producers were demanding a program of harvesting/cutting of avocados, fix prices for the 2016/17 season, the elimination of intermediaries, to be paid in dollars for the product destined for export, and to establish reference prices, since they believe that exporting prices are not reflected in the grower's price. Producers also demanded not to have an arbitrarily discount of 30 Kg per 7 MT truck of fruit that is collected for field sampling. Prices in the United States were between USD\$27.00-32.00 per two layer carton in October 2015 and for October 2016 prices ranged from USD\$65.00 to \$68.00 per carton. Exports have resumed and traders are exporting at a normal pace.

The United States is the top export market for Mexico, consuming between 77 and 79 percent of total exports. Japan and Canada are strategic market niches where Japan has about 9 percent of the market and Canada 6 percent. About thirty-seven packers in Michoacán are eligible to export Mexican

avocados to the United States. Meanwhile, other producing states have concentrated on exporting to Japan, Canada, France, and Spain.

Industry representatives indicate that processed avocado (guacamole) exports are approximately 170,000 MT per year, and that these products are sold to the United States, Europe, the Middle East, and Asia. Unfortunately, there is no official statistical data available. The vast majority of the export business is managed directly by packers, many of whom have significant U.S. investments. 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 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, etc.). Generally speaking, product that does not meet contracted export specifications is sent to the domestic market.

Avocado imports, mainly from California, remain low. Imports for MY 2015/16 were 6,813 MT, while for MY 2014/15; GTA data shows no imports of avocados due to large domestic supplies.

Policy:

Avocado exports from all of Mexico have access to the United States, subject to compliance with the prescribed systems approach for shipping and certification. Michoacán is currently the only state in Mexico exporting Hass avocados to the United States. The state of Jalisco is working to meet certification requirements to be able to export to the U.S. market. Other avocado-producing states are active in exporting to the international market.

Tariffs:

Mexican fresh Hass avocados entering the United States are not subject to any duty. However, Mexican avocados are charged a fee of 2.5 U.S. cents per pound for the Hass Avocado Board and the Agricultural Marketing Service (AMS) for promotional purposes. The producers also pay the Association (APEAM) 5 U.S. cents per pound of exported avocados to cover USDA inspection fees. Fresh avocado imports (HS 0804.40.01) from the United States are not subject to any duty, but are subject to phytosanitary and sanitary inspections by SAGARPA.