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Mexico

AVOCADO ANNUAL

Mexican Avocado Production to Increase

Approved By:

Allan Mustard

Prepared By:

Gabriel Hernandez and Mark Ford

Report Highlights:

Mexican Hass avocado production for MY2009/10 is expected to reach a record 1.18 million metric tons (MMT) due to favorable weather conditions throughout the year and the continued increase of phytosanitary programs to control pests. Hass avocado exports are forecast to reach 400,000 MT with approximately 304,000 MT being exported to the United States. Meanwhile, exports of California Hass avocados to Mexico in MY 2009/10 are forecast to decrease to 100 MT due to higher prices and a smaller crop.

Commodities:

Avocados, Fresh

Production:

For MY 2009/10, Mexican Hass avocado production is forecast to reach a record 1.18 million metric tons (MMT), which is 5.6 percent higher than production in MY 2008/09. Sources indicate production will increase due to a high alternate-bearing cycle, favorable weather conditions throughout the year and the continued implementation of phytosanitary programs to control pests. Even though there is the potential for harsh weather in Michoacán in late 2009 and early 2010, producers are confident the blooming stages will not be significantly affected. Producers continue to apply the best agricultural practices to ensure the highest quality and food safety of avocados, either for export or for supplying the domestic market. Producers in Michoacán are taking the appropriate steps to cope with food safety requirements that would certify that all procedures (production and packaging) are implemented in the safest way possible. Producers in Michoacán plan to invest nearly \$2 million (U.S.) in cutting edge technology to assure that avocados are free of pests and any chemical or biological residue. Producers expect to have everything implemented by June 2010. Michoacán is the world leader in avocado production and accounts for 92 percent of the total Mexican avocado production.

Despite the continued presence of good weather conditions and ample water supplies, production in MY 2008/09 was revised down approximately 2.2 percent due to a lower than expected alternate-bearing cycle. However, production in MY 2008/09 is still higher than MY 2007/08, which remains unchanged and reflects official data.

CROP AREA

The official forecast for total area planted for MY 2009/10 is 127,950 hectares, which is four percent higher compared to the revised MY 2008/09 planted area estimate. In recent years, planted area has increased since there is greater international demand for high-quality Mexican Hass avocados. Simultaneously, the APHIS list of authorized pest-free municipalities in Michoacán continues to grow and allows producers to export to the United States. Currently, 18 Michoacán municipalities are certified to export to the United States, and it is expected that a total of 22 municipalities will be certified during the MY 2009/10 season. State authorities confirm that Michoacán has devoted roughly 98,000 hectares to Hass avocado production, and neighboring states, specifically Jalisco and Mexico, have also increased their planted area. According to state government sources, avocado producers in Michoacán are focusing their expansion efforts on the untapped markets in other Mexican states.

Currently, the APHIS-administered export inspection program has certified that 46,243 hectares can be used to export to the United States. Phytosanitary authorities in Michoacán have requested that APHIS certify 59,000 hectares for the current growing season, which started October 15 and goes through April 14, 2010. Post forecasts that approximately 50,000-52,000 hectares could be certified at the end of the

growing season. However, Michoacán is currently the only state in Mexico that is authorized to export avocados to the United States. Within Michoacán, APHIS has certified the following municipalities can export to the United States: Acuitzio, Tancitaro, Uruapan, Tingüindin, Salvador Escalante, Nuevo Parangaricutiro, Periban de Ramos, Ario de Rosales, Los Reyes, Apatzingan, Taretan, Tacambaro, Tingambato, Madero, Cotija, Ziracuaretiro, Tuxpan and Turicato. During this marketing year, Ciudad Hidalgo, Irimbo, Paracuaro and Tangamandapio are expected to be certified.

Producers from neighboring states (Mexico and Jalisco) continue to implement phytosanitary and good agricultural practices in their avocado producing areas with the hope of eventually receiving certification to export to the United States. Currently, Jalisco is the only other state that has made significant advances towards obtaining an APHIS export certification, which could occur in the next couple of years. However, Jalisco's primary short-term objective is to solidify its market share in the Central American countries and various European countries. For the most part, Jalisco's growing practices are similar to those used in Michoacán.

INPUTS

Despite the relatively high cost of production, producing Mexican Hass avocados has been a profitable activity due to high domestic retail prices and increased exports. The latest information indicates that the cost of production per hectare with irrigation has increased due to an adverse exchange rate between the Mexican peso and the U.S. dollar. Over the past several years, many producers have also implemented SAGARPA's non-mandatory food safety program recommendations and most producers consider this practice a long-term investment.

YIELDS

Official data reveals average yields for MY 2009/10 are forecast at 10.06 MT/ha. The MY 2008/09 yield estimate was revised down to 9.82 MT/ha as a result of official data. MY 2007/08 remains unchanged at 9.27 MT/ha.

Consumption:

Fresh domestic consumption in MY 2009/10 is forecast at 763,034 MT, a 9.21 percent increase over MY 2008/09. This increase in fresh consumption can be attributed to an increase in production. The vast majority of Mexico's avocado production continues to be consumed domestically since avocados are a staple food in most Mexican households. Fresh domestic consumption figures for MY 2008/09 were revised downward due to diminished production and attractive prices in international markets. MY 2007/08 consumption remains the same as previously reported.

Avocado consumption by the processing industry is forecast at 25,000 MT for MY 2009/10. Though data on avocado consumption by the processing industry is either proprietary, or does not exist, industry representatives indicate that it will be consistent with MY 2007/08 levels despite various projects (lyophilization or freeze drying) that have been developed within the avocado processing sector. The significant drop in processing consumption in MY 2008/09 was driven by reduced production, sustained record exports, and the producers' decision to cover the domestic market with fresh produce. Figures for MY 2007/08 remain unchanged.

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, fresh avocado exports continue to drive producers due to attractive profits. The cosmetic industry has not yet found out how to corner these market niches mainly due to the common belief 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:

Mexican avocado exports are forecast to reach 400,000 MT in MY 2009/10, which is approximately the same as the MY 2008/09 forecast. This sustained exported volume is possible due to a combination of factors, such as the year-round market access to all 50 U.S. states and the assumption that international markets will continue to purchase higher-quality avocados from Mexico. Michoacán growers currently have the capacity to harvest 10-15 MT/ha, and industry sources forecast that MY 2009/10 avocado exports to the United States will increase 10 percent. Production in Chile and California is expected to rebound after suffering a decreased production due to harsh weather. Exports to the United States in MY 2008/09 were nearly 304,000 MT, while exports in MY 2006/07 were 215,000 MT. The overall export forecast for MY 2008/09 was revised upward to 400,985 MT due to an increase in demand from international markets and reflects updated official data.

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.

Although the majority of avocado exports are destined for the United States, other markets including Japan, Canada, France, and El Salvador are also significant. Currently, China is an untapped market that Mexico is seeking to enter, and unlike the United States, other 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 to the United States, Japan, Canada, and El Salvador. However, 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 U.S. Hass avocados access to Mexico. For the first 12 months of the work plan, exporters were allowed to export to every state except: Michoacán, Jalisco, Morelos, Puebla, and Nayarit. In September 2006, U.S. avocado exporters

were officially allowed to export to all Mexican states, but exports continue to be destined to only the border region. Mexico currently imports California avocados for processing, which takes place at the border, and then re-exports the finished product back to the United States. Mexican imports for MY 2008/09 are forecast to decrease due weaker crops in California, and this trend is expected to continue in MY 2009/10. Unless California decreases its prices of avocados, it will continue to lose a portion of the market share to Mexican avocados. MY 2007/08 imports were revised down to 393 MT due to increased international prices during the third quarter of CY 2007.

AVOCADO PRICES

MY 2009/10 export prices are expected to be the same as in MY 2008/09. Likewise, domestic prices are also expected to remain stable and comparable to prices in MY 2007/08. Despite the uncertainty of the world economic downturn, the Mexican avocado industry is confident that prices will continue to be attractive. Wholesale domestic prices during the middle of CY 2009 peaked between U.S. \$32.43 - \$37.29 per 12 kg (26.46 lbs) box, mainly due to sustained exports to the United States and a decreased supply in the domestic market.

WHOLESALE AVOCADO PRICES		Pesos/kilograms	
	2008	2009	Change %
January	16.60	15.73	-5.24
February	17.60	15.68	-10.91
March	19.14	17.29	-9.67
April	22.94	21.84	-4.80
May	23.13	25.43	9.94
June	27.70	28.83	4.08
July	28.40	34.73	22.29
August	26.63	28.25	6.08
September	20.46	20.55	0.44
October	17.45	14.33	-17.88
November	15.65	13.68 [ⓐ]	-12.59
December	14.73	N/A	N/A

Source: Servicio Nacional de Informacion de Mercados
 2008 Exchange Rate Avg.: U.S.\$1.00 = 10.90 pesos
 November 24, 2009 exchange rate U.S. \$1.00 = 13.01 pesos
[ⓐ] As of fourth week in November

Policy:

Mexico continues to 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 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.

Currently, Mexican fresh Hass avocados entering the United States are not subject to any duty, but they 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 any 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. The fee is used to finance promotion, research, consumer information, and industry programs. Mexico does not assess a charge against U.S. avocados.

Production, Supply and Demand Data Statistics:

Avocados, Fresh	Mexico	2007		2008		2009	
		2007/2008		2008/2009		2009/2010	
		Market Year Begins: Jul 2007		Market Year Begins: Jul 2008		Market Year Begins: Jul 2009	
		Annual Data Displayed	New Post Data	Annual Data Displayed	New Post Data	Annual Data Displayed	Jan Data
Area Planted		117,000	117,307	122,000	122,186	0	127,950
Area Harvested		110,000	109,411	110,000	114,471	0	118,000
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		1,100,000	1,014,587	1,150,000	1,124,565	0	1,187,934
Imports		900	393	400	101	0	100
Total Supply		1,100,900	1,014,980	1,150,400	1,124,666	0	1,188,034
Exports, Fresh		300,000	302,575	320,000	400,985	0	400,000
Fresh Dom. Consumption		765,000	688,000	795,400	698,681	0	763,034
For Processing		35,900	24,405	35,000	25,000	0	25,000
Total Distribution		1,100,900	1,014,980	1,150,400	1,124,666	0	1,188,034