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Mexico

Avocado Annual

Mexican Avocado Industry Continues to Enjoy Strong Growth

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Report Highlights:

Mexican Hass avocado production is forecast to be 1.6 million metric tons (MMT) in marketing year (MY) 2015/2016, an increase over MY 2014/15. Michoacán is the world leader in avocado production and accounts for 80 percent of total Mexican avocado production. Exports for MY 2015/16 are forecast to increase to about 750,000 MT. Exports to the United States are expected to continue to be strong and growing.

Commodities:

Avocados, Fresh

PRODUCTION:

Post's avocado production forecast for MY 2015/16 (July/June) is 1.6 million metric tons (MMT) based on official estimates. Michoacán has enjoyed good weather, although rainfall and hail in March 2015 somewhat affected maturity levels of the fruit. However, 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 2014/15 are 1.5 MMT, higher than previously expected due to general good weather conditions. Production estimates for MY 2013/14 remain unchanged at 1.4 MMT.

Table 1. Mexico - Fresh Avocado Production			
MY July/June			
Production	Estimate MY 2013/14	Estimate MY 2014/15	Forecast MY 2015/16
Area planted (Ha)	168,113	175,939	187,000
Area Harvested (Ha)	144,243	153,770	154,000
Production (MT)	1,467,837	1,520,694	1,640,000
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 80 percent of total Mexican avocado production. The state of Jalisco is the second-largest producer in Mexico with 6 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.

Total area planted for MY 2015/16 is forecast at 186,926 hectares, an increase of 6.2 percent over MY 2014/15, as growers in different states in Mexico are interested in increasing area due to good domestic and international demand for Mexican Hass avocados. Production area in Michoacán is still growing, but the local industry believes that there is little additional room for expansion in the state. The rate of increase in area planted in Jalisco is high compared to other Mexican states, as growers are interested in the international market.

Table 2. Mexico – Avocado –

Planted Area for Selected States			
States (Ha)	Estimates MY 2014/15	Forecast MY 2015/16	% increase
Chiapas	3,293	3,294	0.0
Guerrero	4,251	4,432	4.2
Jalisco	14,976	17,041	13.7
Michoacán	127,084	134,632	5.9
Mexico State	7,420	7,900	6.4
Total	175,918	186,926	6.2

Source: [SIAP/SAGARPA](#)

Area planted and harvested for MY 2014/15 increased compared to MY 2013/14. 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, Erongaricuaró, Tocuambo, Tuxpan, Irimbo, Hidalgo, Turicato, Ziracuaretiro, Paracuaro and Tangamandapio. In 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 active in exporting to the international market, though they would have to agree on a phytosanitary protocol if exporting to the United States. This process can take several years. Meanwhile, states like Jalisco have concentrated on exporting to Japan, Canada, France, and Spain.

Despite the relatively high cost of production in Michoacán, growing Hass avocados in Mexico has been a profitable activity due to high domestic retail prices and high export demand. 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 in the past year. 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 \$62,100 pesos/hectare (USD \$3,681/hectare) using basic technology to about \$87,000 pesos/hectare (USD \$5,157/hectare) 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 2015/16 are forecast between 9.0 and 9.2 MT/ha. Overall yields for MY 2014/15 are estimated at 9.8 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 for undertaking the major pruning work required to keep these old orchards commercially productive. The state of Jalisco, with its new and expanding orchards, is planting at

higher tree densities and using advanced management technologies. Yields there are expected to be between 15 and 20 MT/ha.

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.

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 2015/16 is forecast to be about 665,000 MT, slightly higher compared to MY 2014/15 due to strong demand at good prices. Fresh domestic consumption for MY 2014/15 was estimated at 614,000 MT, also with good demand at good 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 2013/14 was estimated at about 658,000 MT. Per capita consumption has been between 6.6 kg and 8.4 kg per capita depending on the volume exported. Hard data on avocado consumption by the processing industry is either proprietary or non-existent. Industry representatives estimate 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 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 also sold for food use.

TRADE:

Growers forecast avocado exports for MY 2015/16 to increase over MY 2014/15 exports to about 750,000 MT. International prices have been lower than expected in September/October 2015; nevertheless, exports have been slightly higher compared to the same period in MY 2014/15. According to Global Trade Atlas (GTA), exports for MY 2014/15 are estimated at 736,421 MT; however, data from the Secretariat of Economy (SE) in Mexico estimate exports at 847,070 MT. GTA data shows exports of 557,719 MT for MY 2013/14; however, SE estimates exports at 639,435 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 2014/15 were 584,252 MT (SE data indicates 693,342 MT, very close to the industry estimates), and for MY 2013/14 exports to the United States were 436,578 MT (SE data indicates 516,084 MT).

The United States is the top export market for Mexico, consuming 79 percent of total exports. Japan and Canada are strategic market niches where Japan has about 9 percent of the market and Canada about 6 percent. About 37 packers in Michoacán are eligible to export Mexican avocados to the United States. Mexico has been exporting avocados to 21 countries; other top markets besides those listed above include Costa Rica, El Salvador, Honduras, and France. As Mexico has increased trade with China over

the past few years, avocado exports to that country increased from 1,825 MT in MY 2013/14 to 7,869 MT in MY 2014/15.

Despite being a significant importer, Costa Rica has banned Mexican avocados since May 2015, citing phytosanitary concerns. Mexico has raised this issue bilaterally and at the World Trade Organization's Committee on Sanitary and Phytosanitary Measures. Costa Rica's ban also impacts Guatemala, Florida, and other producing regions. As of the writing of this report, this issue has not been resolved.

Industry representatives indicate that processed avocado (guacamole) exports are approximately 170,000 MT, and that these products are sold to the United States, Europe, the Middle East, and Asia. Unfortunately, there is no official statistical data available. According to U.S. import statistics, the United States imported 59,028 MT of prepared or preserved avocados (HS 2008.99.10) from Mexico in MY 2014/15.

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 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, etc.). Generally speaking, product that does not meet contracted export specifications is sent to the domestic market.

Avocado imports, mainly from California, remain low. For MY 2014/15, GTA data shows no imports of avocados due to large domestic supplies. MY 2013/14 imports were about 839 MT.

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. Other states interested in the international market have also implemented the recommended practices.

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 AMS for promotional purposes (see Marketing section below). The producers also pay their 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.

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

promotion, research, consumer information, and industry programs. Mexico does not assess a charge against imported 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 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 better position the Avocados from Mexico brand.

MY 2014/15 export prices were higher than expected. In March 2015, USDA reported prices of \$40.00-42.00 for two-layer cartons of Hass 48s from Mexico, up from \$36.25-38.25 last year at the same time. In general, domestic prices for 2015 were lower compared to 2014 despite high exported volumes. Prices for MY 2015/16 began at lower levels and are expected to remain attractive for consumers as the domestic crop is expected to be good.

Table 3. Mexico: Avocado Wholesale Prices				
Mexico City MX Pesos/Kg				
	2013	2014	2015	% Change
January	13.44	19.16	16.32	(14.82)
February	11.99	19.64	17.18	(12.52)
March	13.81	23.42	19.77	(15.58)
April	19.29	30.56	24.28	(20.54)
May	20.02	33.45	25.65	(23.31)
June	26.94	31.28	25.60	(18.15)
July	33.99	30.02	25.56	(14.85)
August	35.16	27.44	23.12	(15.74)
September	27.48	20.48	19.29	(5.81)
October	20.67	15.56	17.16	10.28
November	18.69	15.75	16.08 [Ⓞ]	2.09
December	19.02	15.96	N/A	N/A

Source: Servicio Nacional de Información de Mercados ([SNIIM](#))
 2013 Exchange Rate Avg.: U.S.\$ 1.00 = \$ 12.76 pesos
 2014 Exchange Rate Avg.: U.S.\$ 1.00 = \$ 13.29 pesos
 November 20, 2015 exchange rate U.S. \$ 1.00 = \$ 16.57 pesos
[Ⓞ] As of 2nd week of November 2015

Table 4. Mexico: Avocado Trade Tables

Avocado 0804.40		Unit: Metric Tons	
Exports for MY 2013/14 (July-June) to:		Imports for MY 2013/14 (July-June) from:	
U.S	436,578	U.S	839
Japan	49,633		
Canada	33,632		
Other	37,876	Other	

TOTAL	557,719	TOTAL	839
SOURCE: Global Trade Information Services, Inc. Global Trade Atlas, Mexico Edition, November 2015			

Avocado	0804.40	Unit: Metric Tons	
Exports for MY 2014/15 (July-June) to:		Imports for MY 2014/15 (July-June) from:	
U.S	584,252	U.S	0
Japan	51,906		
Canada	44,959		
Other	55,304	Other	
TOTAL	736,421	TOTAL	0
SOURCE: Global Trade Information Services, Inc. Global Trade Atlas, Mexico Edition, November 2015			