

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Mexico

TREE NUTS ANNUAL

Tree Nuts Annual 2009

Approved By:

Allan Mustard

Prepared By:

Dulce Flores and Mark Ford

Report Highlights:

Pecan production for MY 2009/10 is forecast to bounce back from the previous year due to new trees coming into full cycle as well as improvements in cultural practices, fertilizer applications, and drip water irrigation systems. Meanwhile, production for MY 2008/09 decreased compared to MY 2007/08 due to an alternating production cycle that fluctuates every other year. Mexican pecan exports are forecast to increase in MY 2009/10 to approximately 72,000 MT (in-shell) as a result of the increase in productivity and continued demand in the international market. The United States remains the main export market for Mexican pecans. Due to the alternating production cycle mentioned above, the export estimate for MY 2008/09 decreased due to lower domestic supplies.

Commodities:

Pecans, Inshell Basis

Production:

Pecan production in Mexico typically alternates every other year between good and bad production years.

Therefore, pecan production for MY 2009/10 (October/September) is forecast at 79,000 MT, which is an

increase from MY 2008/09. New trees are also coming into full production in MY 2009/10 and with the

continued improvement in tree-care inputs (better fertilizers, timely pruning, etc.) production is expected to

increase. Since production for MY 2008/09 was affected by a low production cycle, and many trees were

still developing, production declined to 69,020 MT. Temperatures in the northern producing areas also

played a role in reducing production for MY 2008/09. However, pecan production for MY 2007/08 was

revised up to 77,888 MT due to an increase in yields.

Table 1: Mexico - Pecan Production			
Pecan Production (MT) In Shell Basis	Estimate MY 2007/08	Estimate MY 2008/09	Forecast MY 2009/10
Area Planted	77,036	80,770	82,700
Area Harvested	57,013	57,264	57,700
Production	77,888	69,020	79,000

The total area planted to pecan trees is forecast to reach 82,700 hectares for MY 2009/10.

The majority of pecan trees are located in Chihuahua, Coahuila, Durango, Sonora, and Nuevo

Leon. Currently, only farmers who have water wells on their property are planting new trees.

However, despite dry weather conditions, many farmers successfully improved their production

yields and nut quality through changes in cultural practices and increased input utilization. Pecans

are harvested in Mexico from October to December.

Table 2: Mexico - Estimated Production Costs for a Pecan Orchard in Chihuahua 2007	
<i>Pesos/Hectare</i>	
Land Preparation	1,258.72
Labor	1,232.21
Fertilization	4,780.10
Insect/Disease Control	1,362.68
Irrigation	1,598.71
Harvesting	3,257.10
Interest On Operating Capital	266.56
Other	1,834.99
Total Cost	15,591.07
Yield	1.66
Price per ton	9,392.21
Total Cost per Ha.	15,591.07
Net Profit	6,198.79
<i>Source: SIAP/SAGARPA – Mexico's Secretariat of Agriculture</i>	

Consumption:

Domestic consumption is extremely volatile and changes depending on market prices. When prices are low, consumption increases and when prices are high, it decreases. For MY 2009/10, consumption is forecast to increase to approximately 38,000 MT, which is a 7.8 percent increase from MY 2008/09 due to lower prices, population growth, and the popularity of pecans during the end of year holiday season. Demand from the domestic confectionary and baking industries is expected to be strong as well. Pecan consumption for MY 2008/09 was revised downward to 35,220 MT, which is lower than expected due to a low production season and higher international prices.

The pecan sector continues to look for new market niches in the confectionary and baking industries. However, domestic confectionery, bakeries, and food processors are expected to remain the largest consumers of Mexican pecans. Wholesale market prices in Mexico for Wichita pecan nuts from production areas in Chihuahua were about \$110 pesos/kg (U.S. \$8.93/kg) in November 2008 and approximately \$130 pesos/kg (U.S. \$9.90/kg) in June 2009. Pecan consumption for MY 2007/08 was at nearly 37,132 MT due to a strong demand and accessible prices.

Trade:

The Mexican export forecast for in-shell pecans for MY 2009/10 is expected to increase to about 72,000 MT due to continued demand from the international market. The United States remains the main export market for Mexican pecans since it maintains attractive prices and year-round demand. As usual, the highest quality production will be exported to the United States. The export estimate for MY 2008/09 decreased to 63,000 MT (in-shell) due to fewer domestic supplies available.

The Mexican pecan import is forecast to increase to approximately 31,000 MT (in-shell) for MY 2009/10 while the import estimate for MY 2008/09 is forecast at 29,200 MT due to higher prices. The confectionary, bakery, and pastry industries continue to demand most pecans. In addition, traders indicate that a high volume of in-shell nuts are imported from Texas, Arizona and New Mexico under a temporary basis for shelling. Shelled nuts are then re-exported to the United States. These temporary imports are done under the IMMEX program, which is the Mexican re-export program (Decree for the Development of the Manufacturing, Maquila and Export Services Industry). Border processing plants are primarily export oriented, and they indicate that about 85 percent of what they process from the domestic market goes directly to the U.S. market with the leftovers being used by the bakery industries in Mexico.

To import in-shell pecans, the exporter has to comply with regulation NOM-044-FITO-1995, *Requirements and Phytosanitary Specifications to Import Nuts, Plant Processed Products and By-products, and Dehydrated Products*. This phytosanitary certificate must indicate the county and state of origin, and it must be approved by the Secretariat of Agriculture in Mexico. This certificate must indicate that the product is free of the *Curculio caryae* weevil. Currently, imports are only allowed from California, Arizona, New Mexico (except Otero County), and Texas (only from the counties of El Paso, Hudspeth, Culberson, Jeff Davis and Presidio).

Prices

The price Mexican farmers receive for pecans directly correlates to the U.S. market and production.

Generally, if supply is tight in the U.S. market, then prices will be high in the Mexican market. As mentioned above, domestic consumption fluctuates depending on the price.

The average price paid by Mexican importers for shelled pecans in 2008 from the United States was

U.S. \$5.78/kg and U.S. \$3.64/kg for in-shell pecans. However, this does not suggest that all pecan imports

were purchased at these prices. Generally, high-quality and expensive shelled packaged pecans are bought

by retail outlets (Costco, Wal-Mart, and Sumesa), which are willing to pay a higher price. Industrial end users,

such as bakeries and confectionaries, buy lower quality pecans at a cheaper price.

Since the United States is the largest producer and consumer of pecans in the world and both markets are

intricately linked, prices in Mexico are the same as in the United States. Nonetheless, Mexican producers prefer

selling to the export market since they receive payment on delivery and cheaper shipping costs compared to

selling domestically. As a result, Mexican growers continue to sell a large percentage of their pecans for export,

and typically only import pecans from the United States if there is a need to meet domestic demand.

Stocks:

Since there are insufficient cold storage warehouses in Mexico, the pecan market is saturated during production

(October through December) and short of pecans later in the year. Likewise, since the domestic and export

market remain relatively stable, there have been no stocks at the end of the marketing year.

Marketing:

Grading standards for Mexico's export shelled pecans are the same as in the United States, and companies are

certified by U.S. standards and the Hazard Analysis: Critical Control Points (HACCP) program. For the

domestic market, Mexico also follows U.S. standards, which adhere to Mexican Regulation NMX-FF-093-1996 –

Non Industrialized Food Products for Human Consumption, Fresh Fruit, Pecan Nut. Given that the majority of pecans are distributed to bakeries, food processors, and retail outlets, a lower quality of nut is used.

U.S. tree nut exporters new to the Mexican market are encouraged to contact the following trade organizations for further market information.

Table 3: Mexico Trade Organizations

<p>THE U.S. AGRICULTURAL TRADE OFFICE (ATO) Garth Thorburn -Director Liverpool No. 31 06000 Mexico, D.F. PH. (525) 5140-2614, 5140-2671; FAX (525) 5535-8557</p>
<p>ASOCIACION NACIONAL DE FABRICANTES DE CHOCOLATES, DULCES Y SIMILARES, A.C. (National Association Of Manufacturers Of Chocolates, Candy And Similars) Manuel Maria Contreras No. 133-301 Col. Cuauhtemoc, Mexico 06500, D.F. PH. (525) 5546-1259, 5546-0974; FAX. (525) 5592-2497</p>
<p>CAMARA NACIONAL DE INDUSTRIA PANIFICADORA Y SIMILARES (CANAINPA) (National Chamber Of The Baking And Confectionary Industry) Dr. Liceaga No. 96 Col. Doctores, Mexico 06720, D.F. PH. (525) 5578-9277, 5578-9288; FAX. (525) 5761-8924</p>
<p>CAMARA NACIONAL DE LA INDUSTRIA DE TRANSFORMACION (CANACINTRA) (National Chamber Of The Transformation Industry) San Antonio No. 256 Col. Ampliacion Napoles Mexico 03849, D.F. PH. (525) 5563-3400, 5563-3000; FAX. (525) 5598-9467</p>
<p>ASOCIACION NACIONAL DE TIENDAS DE AUTOSERVICIO Y DEPARTAMENTALES, A.C. (National Association Of Supermarkets And Department Stores) Av. Horacio 1855, 6th Floor Col. Chapultepec Morales 11570 Mexico, D.F. Ph.(525) 5580-1772; FAX. (525) 5395-2610</p>

Production, Supply and Demand Data Statistics:

Table 4: Trade Matrixes

Pecans, In-shell units: Metric Tons

MY 2007/08 - Oct/Sep			
Exports To:		Imports From:	
U.S.	19,148	U.S.	25,537
Others unlisted	845	Others unlisted	0
Grand Total	19,993	Grand Total	25,537

Pecans, Shelled		units: Metric Tons	
MY 2007/08 - Oct/Sep			
Exports To:		Imports From:	
U.S.	25,737	U.S.	2,586
Others not listed	1	Others not listed	0
Grand Total	25,738	Grand Total	2,586

SOURCE: Secretariat of Economy, SIAVI

www.economia-snci.gob.mx

(Conversion factor used: 2 MT in-shell pecans = 1 MT shelled pecans)

Table 5. Mexico Monthly Exchange Rate Averages 2007 -2009 MX Pesos per U.S. \$1.00			
	2007	2008	2009
January	10.94	10.91	13.15
February	10.99	10.77	14.55
March	11.12	10.74	14.71
April	10.98	10.52	13.41
May	10.82	10.44	13.19
June	10.83	10.33	13.47
July	10.80	10.24	13.37
August	10.50	10.10	n/a
September	10.92	10.61	n/a
October	10.92	12.56	n/a
November	10.87	12.31	n/a
December	10.84	13.40	n/a
Annual Avg.	10.92	11.14	13.69
① As of first week of May.			
Source: Mexican Federal Register			
Note: Monthly rates are averages of daily exchange rates from Banco de Mexico.			

NOTE: Import and export figures are based on official Mexican trade data and information from domestic traders, which may differ from official U.S. trade data.