

Required Report - public distribution

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## Mexico

### Tree Nuts

### Annual – Revised

### 2003

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**Report Highlights:**

Mexico's pecan production for MY 2004/05 is forecast to increase to 64,000 MT, approximately 0.7 percent more than the previous year's crop. Due to new trees coming into production, and basically, only farmers with orchards that have water wells continue to plant new trees. Therefore, the majority of farmers are resorting more to quality inputs such as better fertilizers and pesticides and better tree care in order to improve production and nut quality.

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Includes PSD Changes: Yes  
Includes Trade Matrix: Yes  
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## Executive Summary

Pecan production for MY2004/05 (October-September) is forecast to increase to 64,000 MT, or about 0.7 percent over the MY2003/04 production estimate. This increase is based on expected new trees coming into production and improved cultural practices, timely fertilizer applications, drip water irrigation systems, and pruning. For MY2003/04, our previous estimate remains unchanged. The production estimate for MY2002/03 also remains unchanged to reflect final official data.

Mexican pecan exports are forecast to increase in MY2004/05 to around 49,500 MT because of the traditional attractive export prices in the international market, basically in the United States market. The export estimate for MY2003/04 is revised upward from our previous estimate, due to continued growing demand from the export market. The export estimate for MY2002/03 is revised upward to reflect final official data.

NOTE: PS&D import and export figures are based on official Mexican trade data and information from domestic traders, and frequently differ from official U.S. trade data.

## Production

Post forecasts an increase in production for MY2004/05, due to expected new trees coming into production, improvement in tree-care inputs, such as fertilizers and timely pruning. Production in MY2003/04 is expected to remain unchanged from our previous estimate.

The total crop area planted to pecan trees in Mexico is currently 53,500 hectares, the majority of which are located in the states of Chihuahua, Coahuila, Durango, Sonora and Nuevo Leon. Currently, only farmers who have water wells on their property are planting new trees. Due to scarce water supplies caused by the dry conditions in several pecan-producing states, many farmers have resorted to improved cultural practices and increased input utilization to improve production yields and nut quality. Pecans are harvested in Mexico from October to December.

## Consumption

Domestic consumption is very price elastic; consumption rises quickly when prices are low and falls when prices are high. For MY2004/05, consumption is expected to reach 32,500 metric tons, due to accessible prices, general population growth, and the end of year holiday season when demand is higher. Consumption for MY2003/04 is revised upward from the previous estimate, due to continued demand from the domestic confectionary and baking industries. Next to the export market, domestic confectionery, bakeries and food processors are expected to remain the largest consumers of Mexican pecans.

## Trade

Post forecasts an increase in exports for MY2004/05, due to the traditional export market in the United States where attractive prices and higher demand for Mexican pecans prevail year-round, unlike in the domestic market. Mexican pecan exports are estimated upward from our previous estimate of 34,000 MT in MY2003/04, due to continued attractive prices in the export markets. As usual, the highest quality production will be exported to the United States.

Mexican pecan imports are forecast to increase to 18,000 MT in MY2004/05, 5.2 percent more than our previous revised estimate for MY2003/04 of 17,100 MT. These increases in imports are caused by temporary imports of inshell pecans to the Mexican border area for

shelling by shelling plants located at the border and then re-exported to the United States. Industry sources indicate that approximately 12 to 15 percent of all imported pecans remain in Mexico; the balance is for shelling and re-exported to the United States.

### **Stocks**

In recent years there have generally been no stocks at the end of the marketing year because both domestic and export market demand and attractive prices clear the market. Furthermore, in Mexico, there is insufficient cold storage warehouses to store a significant amount of pecans.

### **Policy**

Because of the benefits derived from selling into the export market, such as high prices and payment on delivery, growers tend to sell for export. Growers prefer to first sell their higher quality product for export. Mexican companies then import lower quality pecans from the United States if there is a need to meet domestic demand.

### **Marketing**

The grading standards for Mexico's export shelled pecans are the same as the standards in the United States. Mexico has no domestic standards for pecans, and therefore uses U.S pecan standards. There are not enough cold storage warehouses in Mexico to store pecans throughout the year. Because of this lack of storage, the market for pecans is saturated at production time (October through December) and short of pecans later in the year. Retail distribution to bakeries, food processors, and retail outlets is left to the wholesale market in Mexico, which is also short of storage facilities.

## Tables

## PS&amp;D, Pecans, In-shell Basis

(Hectares, Metric Tons, Trees)

<b>PSD Table</b>						
<b>Country:</b>	<b>Mexico</b>					
<b>Commodity:</b>	<b>Pecans, In-shell Basis</b>					
	<b>2002</b>		<b>2003</b>		<b>2004</b>	
	Old	New	Old	New	Old	New
Market Year Begin	<b>10/02</b>		<b>10/03</b>		<b>10/04</b>	
Area Planted	53500	53500	53500	53500		54000
Area Harvested	51500	51500	52000	52000		53000
Bearing Trees	3090000	3090000	3100000	3100000		3150000
Non-Bearing Trees	135000	135000	125000	125000		130000
Total Trees	3225000	3225000	3225000	3225000		3280000
Beginning Stocks	0	0	0	0		0
Production	63000	63000	63500	63500		64000
Imports	2500	8350	2000	17100		18000
TOTAL SUPPLY	65500	71350	65500	80600		82000
Exports	34200	39850	34000	48600		49500
Domestic Consumption	31300	31500	31500	32000		32500
Ending Stocks	0	0	0	0		0
TOTAL DISTRIBUTION	65500	71350	65500	80600		82000

Note: Conversion factor used from shelled to in-shell basis, 2.00

## Trade Matrix

PECANS, IN SHELL			UNITS: Kilograms		
Exports To:	2002	2003*	Imports From:	2002	2003*
U.S.	19,009,300	2,452,100	U.S.	7,252,300	4,936,800
Other			Other		
FRANCE	9,241	4,337	CHINA	9,054	0
Total of Other	9,241	4,337	Total of Other	9,054	0
Others unlisted	81	0	Others unlisted	1,547	0
Grand Total	19,018,622	2,456,437	Grand Total	7,262,901	4,936,800

PECANS, SHELLED			UNITS: Kilograms		
Exports To:	2002	2003*	Imports From:	2002	2003*
U.S.	8,213,600	3,359,700	U.S.	476,300	376,700
Other			Other		
	0	0	CHINA	70,079	6,746
Total of Other	0	0	Total of Other	70,079	6,746
Others not listed	0	0	Others not listed	506	1,250
Grand Total	8,213,600	3,359,700	Grand Total	546,885	384,696

SOURCE: World Trade Atlas, Mexico Edition & FAS US Trade Data from U.S. Customs

NOTE: \* indicates that figures are for January thru April.