



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Required Report - public distribution

Date: 11/14/2003

GAIN Report Number: MX3153

Mexico

Avocado

Annual

2003

Approved by:

William L. Brant
U.S. Embassy Mexico City

Prepared by:

Gabriel Hernandez

Report Highlights:

MY 2003/04 Mexican avocado production is forecast at 1.04 MMT. Avocado exports for MY 2003/04 are forecast to increase accordingly – to 120,000 MT – of which 34,000 MT are forecast to be exported to the United States during the October – April shipping window. APHIS has approved 21,400 hectares eligible to export Mexican Hass Avocado to selected U.S. states.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Annual Report
Mexico [MX1]
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PS&D TABLE

PSD Table						
Country	Mexico					
Commodity	Fresh Avocados		(HECTARES)(1000 TREES)(1000 MT)			
	2001 Revised		2002 Estimate		2003 Forecast	
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		08/2001		08/2002		08/2003
Area Planted	95204	95204	99354	99367	0	102478
Area Harvested	94011	94011	97000	93793	0	99000
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	941408	941408	952000	897231	0	1040393
Imports	0	0	0	0	0	0
TOTAL SUPPLY	941408	941408	952000	897231	0	1040393
Exports	71621	71621	80000	94243	0	120000
Fresh Dom. Consumption	829787	829787	832000	765988	0	885393
Processing Consumption	40000	40000	40000	35000	0	35000
TOTAL DISTRIBUTION	941408	941408	952000	897231	0	1040393

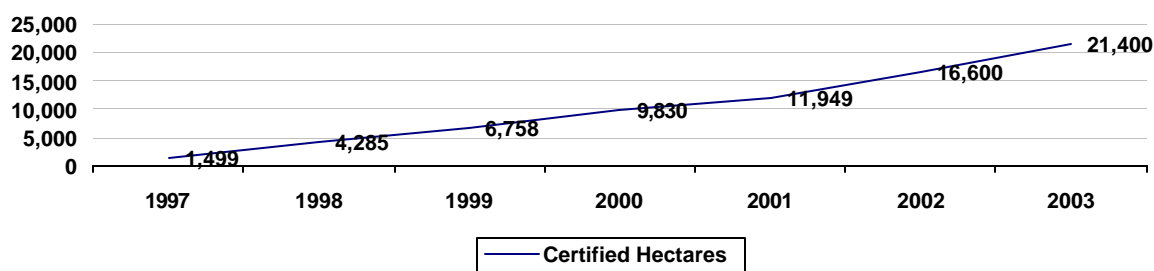
PRODUCTION

Mexican avocado production official figures for MY 2003/04 are forecast at 1.04 million metric tons (MMT), a 16-percent increase above last year's production, due to favorable weather conditions, ongoing phytosanitary programs which have successfully controlled pests, and more trees coming into production. It is expected that those younger trees which, contrary to expectations, did not come into full bearing last year, will in fact do so in MY 2003/04. According to private sources, although this increase could be offset by the down year of the crop's alternate bearing cycle, they are nevertheless confident that production will increase, due to generous rains. Michoacan remains the main producing state in Mexico accounting for 88.3 percent of total avocado production. MY 2002/03 production is estimated at 897,231 MT, 5.75 percent lower than the initial forecast, due to bad weather which affected the blooming stages on most trees coming into production. MY 2001/02 figures were kept unchanged to reflect the most current official data available.

CROP AREA

MY 2003/04 total area planted in the state of Michoacan is forecast at 102,478 ha, or 84 percent of the total avocado planted area and a 3-percent increase over MY 2002/03 planted area. This is due to increased demand in international markets, especially in the United States, which not only has increased the number of U.S. states Mexican avocados can enter but also has lengthened the shipping season. Currently, 21,400 hectares have been certified under the APHIS-administered export inspection program, which allows Mexican avocados to be shipped to selected U.S. states. The Tancitaro municipality along with the Uruapan, Salvador Escalante, Nuevo Parangaricutiro, Periban de Ramos, Ario de Rosales and Taretan municipalities comprise the total area in Michoacan authorized to export to the United States.

APHIS Hass Avocado Export Inspection Program



In MY 2002/03, the Michoacan State Health Committee projected that, by MY 2003/04, it would submit for APHIS/USDA consideration, a proposal to implement a pilot program comprising certain areas located in the list of authorized municipalities to export avocados to the United States which are of certain altitude and temperature. The argument to justify the petition was that the geographic location of these areas would allow producers to implement efficient phytosanitary control measures and to completely eliminate the use of pesticides or other chemicals, thereby allowing them to qualify under APHIS' avocado export program. Government and industry have agreed that the avocado sector should focus its efforts first, on eradication of the pests of concern, second, on recognition of pest free areas, and third, on accreditation in the APHIS avocado export program.

INPUTS

In general, Mexican avocado production has been a profitable activity, due to good domestic retail prices and a relatively stable cost of production. Growers pointed out that production costs vary depending on the inputs, type of land and technology used. According to industry sources, the total production cost per hectare for avocados in MY 2002/03 for low income producers, who own orchards of 1 to 4 hectares, was nearly \$33,000 pesos (USD\$3,300); for other producers, who own orchards of 5 or more hectares, the production cost averaged around \$35,000 pesos (USD\$3,500) per hectare.

YIELDS

According to official sources, average yields for MY 2003/04 are estimated to be about 10.15 MT/ha. According to more recent official data, yield figures for MY2002/03 were revised downward to 9.56 MT/ha, a 2.5-percent decrease below the initial forecast, due to bad weather.

POLICY

Mexico has continued to implement its avocado phytosanitary requirements and procedures for the transportation of fresh avocado within the country. Recently, phytosanitary policies and measures have started to be more broadly implemented and applied among the authorized packing companies. Moreover, in Michoacan, producers are interested in knowing how food safety measures can be applied in orchards since packers are keeping pace with the implementation of the food safety program in packing facilities. Private and official sources are expecting that, by 2005, all Michoacan producers and packers will be complying with food safety requirements.

CONSUMPTION

Fresh domestic consumption is forecast at 885,393 MT in MY 2003/04. Private sources indicate that the vast majority of Mexico's avocado production continues to be consumed domestically and, paradoxically, is the main obstacle to increasing exports, which comprise only 15 percent of total production. For MY 2003/04, processing consumption is forecast to remain the same, despite the larger crop, due to expectations of increased exports offset by traditional strong fresh consumption patterns. The MY2002/03 figures for fresh & processing consumption were revised downward, due to smaller supplies and increased exports. Reportedly, the average per capita consumption in Mexico is about 10 kg, which is above the world average of 3 to 5 kg.

AVOCADO PRICES

MY 2003/04 prices are expected to be around US\$23.00 per 11.8 kg (26 lbs) box. Export prices in MY 2002/03 were between US\$25.00 – \$26.00 per box. For MY 2003/04, due to increased exports the domestic market is expected to garner attractive prices.

WHOLESALE AVOCADO PRICES			
Month	2002	2003	Change %
January	5.20	8.75	68.27
February	5.41	9.00	66.36
March	6.35	9.15	44.09
April	6.79	9.76	43.74
May	6.70	14.65	118.66
June	8.62	14.71	70.65
July	11.53	13.28	15.18
August	11.23	13.76	22.53
September	9.91	9.87	(0.40)
October	8.11	8.69	7.15
November	8.05	N/A	N/A
December	7.78	N/A	N/A
Pesos/kilogram			
Source: Servicio Nacional de Informacion de Mercados			
2002 Exchange Rate Avg.: U.S.\$1.00 = \$9.82 pesos			
October 31, 2003, exchange rate U.S. \$1.00 = \$11.10 pesos			

TRADE

Mexican avocado exports are forecast to reach a record level of 120,000 MT in MY2003/04, due mainly to larger production. However, the expectation of saturation in foreign markets and subsequent plummeting of prices is a concern of Mexican producers. The prevailing practice, among producers, of harvesting and exporting 2 MT/hectare continues. While 2 MT/hectare is the maximum volume a single grower can export per season, each grower has agreed to export 1 MT at a time; once all growers on APHIS's list of authorized growers have exported their 1 MT, each grower has the opportunity to export the second and final MT. Exports in MY 2002/03 reached 94,243 MT, surpassing the initial estimate of 80,000 MT, due to better prices in foreign markets. The export market continues to be profitable to producers, according to official and private sources. Official data indicates that most Mexican avocados were exported to the United States, El Salvador, Canada, France and Japan.

Currently, growers expect to export approximately 34,000 MT to the United States during the October-April 2003/04 season, due to the limited acreage (21,400 ha) that APHIS has

approved for export. Thirteen packers are officially considered eligible to export Mexican avocados to the United States under the APHIS export program.

TRADE MATRIX

Avocado	H.S. 0804.40	Units: MT	
Exports for 2002 (Jan-Dec) to:		Imports for 2002 (Jan-Dec) from:	
U.S.	39,399	U.S.	0
El Salvador	9,977		
Canada	9,453		
France	8,123		
Japan	7,502		
OTHER	19,789	OTHER	0
TOTAL	94,243	TOTAL	0

TRADE POLICY

Fresh avocado imports (HS 08.04.40.01) from the United States are subject to a zero duty. Imported avocados are also subject to phytosanitary and sanitary inspections by SAGARPA.

On August 14, 2003, USDA/APHIS published in the U.S. Federal Register the extension of the comment period for the draft pest risk analysis (PRA), originally published on June 16, 2003, that proposes the importation of Hass avocado from Mexico into the entire 50 U.S. states and during all months of the year. Currently, Mexican Hass avocados can only be exported to 31 U.S. states during six months, from October 15 through April 15.

MARKETING

On January 1, 2003, virtually all import tariffs were eliminated on most agricultural products under NAFTA. However, on January 2, 2003, avocado producers and importers started paying an initial assessment of 2.5 cents per pound on fresh Hass avocados produced in or imported into the United States. The program is intended to provide the Hass avocado industry with tools and funds to increase consumption. The Hass Avocado Board will be appointed by the U.S. Department of Agriculture and will conduct promotion and research efforts as well as provide information to industry and consumers with the aim of expanding and developing the U.S. market for Hass avocados.