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Mexico

Avocado Annual

Overall Production Forecast Up Slightly But Weather In Michoacán May Reduce Exports

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Report Highlights:

Mexican Hass avocado production is forecast to be 1.3 million metric tons (MMT) in marketing year (MY) 2013/14, a modest increase over MY 2012/13. Michoacán is the world leader in avocado production and accounts for 85 percent of total Mexican avocado production. Exports for MY 2013/14 are forecast to be close to exports in MY 2012/13 or 620,000 MT. Exports to the U.S. are expected to continue to be strong.

Commodities:

Avocados, Fresh

PRODUCTION:

Post's avocado production forecast for MY 2013/14 (July/June) is 1.34 million metric tons (MMT). Michoacan, however, was affected in certain areas by frost, which may reduce local production, despite a slightly larger crop for Mexico overall. Sources indicate that the good implementation of phytosanitary pest control programs has helped boost production. Production estimates for MY 2012/13 are 1.31 MMT, higher than previously expected due to a mild winter and general good weather conditions. Production estimates for MY 2011/12 remain unchanged at 1.2 MMT.

Table 1. Mexico - Fresh Avocado Production			
MY July/June			
Production	Estimate MY 2011/12	Estimate MY 2012/13	Forecast MY 2013/14
Area planted (Ha)	142,146	151,022	168,000
Area Harvested (Ha)	126,597	130,307	145,000
Production (MT)	1,264,141	1,316,104	1,340,000

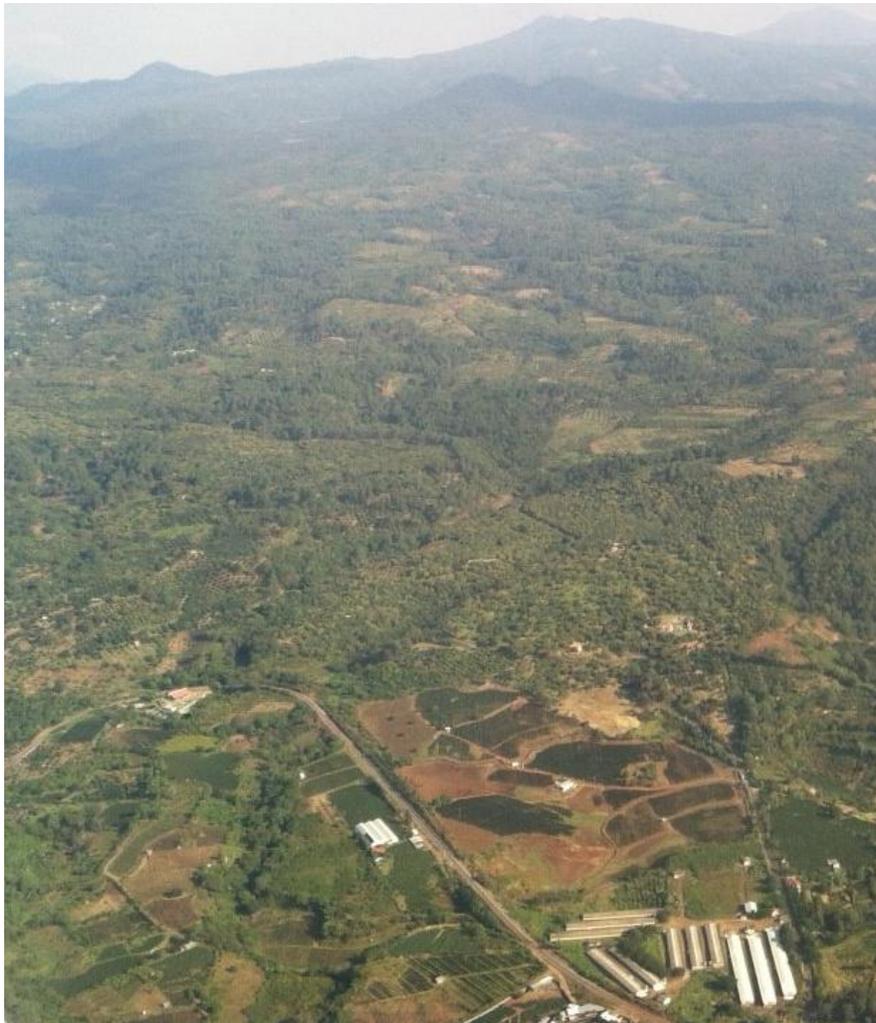
Source: [SIAP/SAGARPA](#)

Producers, sponsored by the Mexican Avocado Association (APEAM – Asociacion de Productores y Empacadores Exportadores de Aguacate de Mexico), starting in Michoacán have invested 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 85 percent of total Mexican avocado production. The state of Jalisco is the second biggest producer in Mexico with 3 percent of production. Acknowledging the importance of other production areas, APEAM recently changed their focus (and name) from Michoacán centric to a whole of Mexico scope.

Table 2. Mexico – Avocado – Planted Area for Selected States			
States (Ha)	Estimates MY 2012/13	Forecast MY 2013/14	% increase
Chiapas	2,990	3,302	10.4
Jalisco	11,043	13,436	21.6
Michoacan	112,673	122,251	8.5
Nayarit	3,499	5,285	51.0
Oaxaca	1,737	1,831	5.4
Total	151,022	168,155	11.3

Source: [SIAP/SAGARPA](#)

Total area planted for MY 2013/14 is forecast at 168,155 hectares, an increase of more than 11% over MY 2012/13, as growers in different states in Mexico are interested in increasing area due to good domestic and international demand for Mexican Hass avocados. There is significant acreage planted but not yet in production in Michoacán, although the local industry believes that little additional room for expansion exists in this state. The rate of area planted in Jalisco is high as growers are interested in the international market. Area planted and harvested for MY 2012/13 increased compared to MY 2011/12. Most states grow the Hass variety. Other avocado varieties planted in Mexico at smaller scales are Fuerte, Criollo, Bacon, Pinkerton, Gwen and Reed.



Picture 1. Aerial view of production areas in Michoacán. Both mature and new plantations are visible. (Credit: FAS/Mexico City)

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. In the semiannual field inspection (April to Oct/2012), APHIS's export inspection program certified a total of 71,803 hectares as eligible 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, Erongaricuaru, Tocumbo, Tuxpan, Irimbo, Hidalgo, Turicato, Ziracuaretiro, Paracuaro and Tangamandapio. In the last semiannual field survey, October/2012 to April/2013, 76,458 hectares were approved, and for the next semi-annual field inspection (October 15, 2013 to April 14, 2014) four new municipalities are being proposed to be eligible to export to the U.S. with additional 81,089 hectares.

Other avocado producing states are also interested in exporting to the international market and they will have to agree on a phytosanitary protocol if exporting to the U.S. market. Meanwhile states like Jalisco have concentrated in exporting to Japan, Canada, France and Spain.

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 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 dramatically. Many producers have implemented SAGARPA's non-mandatory 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 \$45,000 pesos/hectare (USD \$3,390/hectare) using basic technology to about \$60,000 pesos/hectare (USD \$4,520/hectare) with advanced technology that includes machinery and irrigation systems. 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 2013/14 are forecast between 8.6 and 9.3 MT/ha. Overall yields for MY 2012/13 are estimated at 10.1 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 of undertaking the major pruning work required to keep these old orchards commercially productive (see Pictures 2 and 3 below). The state of Jalisco, with new and expanding developments, is planting at higher tree densities and using advanced management technologies. Yields there are expected to be between 15 and 20 MT/ha.



Picture 2. 40 year old orchard. Note tall trees with high canopy, reducing trees' ability to capture sunlight.

(Photo credit for pictures 2 and 3: FAS/Mexico)



Picture 3. Orchard trimmed about five years ago. Lower height makes for easier harvesting and increased ability to capture sunlight for fruit growth. Grass serves as refuge for beneficial insects and as an alternative food source for insects considered to be avocado pests.

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. Consumption for MY 2013/14 is forecast to be about 530,000 MT, slightly lower than MY 2012/13 due to slightly higher international prices, which are expected to result in slightly higher domestic prices. Fresh domestic consumption for MY 2012/13 was estimated at 570,000 MT due to good demand at prevailing 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 2011/12 was estimated at about 684,000 MT as demand was higher due to affordable domestic prices. Data on avocado consumption by the processing industry is either proprietary or non-existent. Industry representatives indicate 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 domestic market niches (related to the extraction and export of avocado oil for the cosmetic industry) are developing. The cosmetic industry has not taken full advantage of this demand segment as there is a consumer perception 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:

Growers forecast avocado exports for MY 2013/14 to be close to those of MY 2012/13 or about 620,000 MT. However, since international prices are expected to be higher based on weather related supply reduction in Michoacán (the main exporting state), exports could be further reduced. 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 the Global Trade Atlas, exports for MY 2012/13 are estimated at 572,544 MT; however, the industry estimates exports at about 629,000 MT. U.S. imports for MY 2012/13 are 515,142 MT according to the Census Bureau which represents an increase of 42.7 % over MY 2011/12 imports. According to the Global Trade Atlas, exports for MY 2011/12 are estimated at 409,761 MT, however the industry estimates exports at about 454,000 MT. U.S. imports for MY 2011/12 were 360,923 MT according to the Census Bureau. Mexican exports to other countries for MY 2012/13 have also increased, for example, exports to Japan increased 30.6%, and to Canada exports increased 27.6 % according to the Global Trade Atlas (GTA).

The United States is the top export market for Mexico, consuming 76 percent of total exports. Japan and Canada are strategic market niches where Japan has about 10 percent of the market and Canada about 6 percent. Currently, 37 packers in Michoacán are eligible to export Mexican avocados to the United States.

The vast majority of the export business is managed directly by packers, many of whom have significant U.S. investment. 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, seconds, etc.). Generally speaking, product that does not meet contracted export specifications gets in the domestic market. See photos of packing plant operations below (Pictures 4 and 5).

According to the Global Trade Atlas, avocado imports, mainly from California, remain low. However, imports increased for MY 2012/13 to about 1,727 MT compared to 1,124 MT in MY 2011/12.



Picture 4. Packing plant operations. Workers filling boxes after electronic and mechanical sorters separate by quality and size.

(Photo credit for pictures 4 and 5: FAS/Mexico City)



Picture 5. Bulk loose avocados, labeled and packed to specification.

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.

Mexican fresh Hass avocados entering the United States are not subject to any duty. Mexican avocados are required to pay a fee of 2.5 U.S. cents per pound for the Hass Avocado Board and AMS for promotional purposes (see Marketing section). The producers also pay their Association (APEAM) 5 U.S. cents per pound of exported avocado for USDA inspection fees. Fresh avocado imports (HS 08.04.40.01) 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 finance, promotion, research, consumer information, and industry programs. Mexico does not assess a charge against U.S. avocados. In the Japanese and Canadian markets, the avocado association, APEAM, has invested about 1 million dollars each 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 the Mexican Avocado Producers and Packers (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 position the Avocados from the Mexico brand. This marketing agency is allocating \$36 million dollars to advertise and promote Mexican avocados in the U.S.

MY 2012/13 export prices were lower than expected, because of a larger volume of avocados available in the market; however, prices were still good for the growers. As an example of this, during July 2012, prices were U.S. \$35 per 25 lb/box, whereas in July 2013 prices were \$40 per box. Wholesale domestic prices during the middle of CY 2012 decreased more than 28 percent compared to CY 2011 prices, due to higher supplies. Despite increases in recent months, Mexican domestic prices for this food staple are expected to remain attractive for consumers as the domestic crop is expected to be slightly larger in MY 2013/14, despite the weather related production decrease expected in Michoacan.

**Table 3. Mexico: Avocado Wholesale Prices
Mexico City MX Pesos/Kg**

	2010	2011	2012	% Change
January	15.95	19.48	19.84	1.84
February	16.42	21.57	19.66	(8.85)
March	18.53	28.60	21.40	(25.17)
April	22.85	30.56	25.01	(18.16)
May	22.26	36.34	28.27	(22.20)
June	24.53	41.07	29.51	(28.14)
July	27.16	50.84	26.58	(47.71)
August	31.12	33.82	25.82	(23.65)
September	33.04	25.07	18.22	(27.32)
October	23.36	18.40	15.64	(15.00)
November	17.08	17.80	13.91	(21.85)
December	17.19	18.11	13.22	(27.00)

Source: Servicio Nacional de Informacion de Mercados ([SNIM](#))

2010 Exchange Rate Avg.: U.S.\$ 1.00 = \$ 12.62 pesos

2011 Exchange Rate Avg.: U.S.\$ 1.00 = \$ 12.42 pesos

2012 Exchange Rate Avg.: U.S.\$ 1.00 = \$ 13.15 pesos

**Table 4. Mexico: Avocado Wholesale Prices
Mexico City MX Pesos/Kg**

	2011	2012	2013	% Change
January	19.48	19.84	13.44	(32.25)
February	21.57	19.66	11.99	(39.01)
March	28.60	21.40	13.81	(35.46)
April	30.56	25.01	19.29	(22.87)
May	36.34	28.27	20.02	(29.18)
June	41.07	29.51	26.94	(8.70)
July	50.84	26.58	33.99	(27.87)
August	33.82	25.82	35.16	(36.17)
September	25.07	18.22	27.48	(50.82)
October	18.40	15.64	20.67	(32.16)
November	17.80	• 13.91	Ⓣ 18.44	(32.56)
December	18.11	13.22	n/a	n/a

Source: Servicio Nacional de Informacion de Mercados ([SNIM](#))

2011 Exchange Rate Avg.: U.S.\$ 1.00 = \$ 12.42 pesos

2012 Exchange Rate Avg.: U.S.\$ 1.00 = \$ 13.15 pesos

November 14, 2013 exchange rate U.S. \$ 1.00 = \$ 13.10 pesos

Ⓣ As of 3rd week of November

Table 5. Mexico: Avocado Trade Tables

Avocado 0804.40		Unit: Metric Tons	
Exports for MY 2011/12 (July-June) to:		Imports for MY 2011/12 (July-June) from:	
U.S	309,329	U.S	1,124
Japan	40,569		
Canada	27,431		
Other	32,432	Other	
TOTAL	409,761	TOTAL	1,124

Avocado 0804.40		Unit: Metric Tons	
Exports for MY 2012/13 (July-June) to:		Imports for MY 2012/13 (July-June) from:	
U.S	440,660	U.S	1,727
Japan	53,003		
Canada	35,025		
Other	43,856	Other	
TOTAL	572,544	TOTAL	1,727
SOURCE: Global Trade Information Services, Inc. Global Trade Atlas, Mexico Edition, August 2013			

For More Information

FAS/Mexico Web Site: We are available at www.mexico-usda.com or visit the FAS headquarters' home page at www.fas.usda.gov for a complete selection of FAS worldwide agricultural reporting.

FAS/Mexico YouTube Channel: Catch the latest videos of FAS Mexico at work <http://www.youtube.com/user/ATOMexicoCity>

Useful Mexican Web Sites: Mexico's equivalent of the U.S. Department of Agriculture (SAGARPA) can be found at www.sagarpa.gob.mx, the equivalent of the U.S. Department of Commerce (SE) can be found at www.economia.gob.mx, and the equivalent of the U.S. Food and Drug Administration (SALUD) can be found at www.salud.gob.mx. These web sites are mentioned for the reader's convenience but USDA does NOT in any way endorse, guarantee the accuracy of, or necessarily concur with, the information contained on the mentioned sites.