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Mexico

2011 Citrus Annual

Weather Conditions Impact Mexican Citrus Crop

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Report Highlights:

Overall citrus production in Mexico for marketing year (MY) 2011/12 was affected by different adverse weather events, resulting in lower production estimates compared to last year. Post forecasts MY 2011/12 fresh orange, lemon/lime, and grapefruit production at 3.2 million metric tons (MMT), 1.70 MMT, and 300,000 MT, respectively. These levels represent declines of roughly 20%, 5%, and 20%, respectively. MY 2011/12 export forecast for fresh orange, lemon/lime, and grapefruit will be steady to slightly down while imports will be steady to slightly up. Frozen concentrated orange juice (FCOJ) production is expected to decline significantly to 70,000 MT (down 40%) and exports are forecast to decline by a similar amount, to about 64,000 MT.

Commodities:

Citrus, Other, Fresh
Grapefruit, Fresh
Lemons, Fresh
Oranges, Fresh
Orange Juice

FRESH ORANGES

PRODUCTION

Fresh orange production has been affected this past marketing year due to the dry weather conditions affecting the country and very warm weather in the northern states of Mexico. In fact, some production areas in Nuevo Leon State are expecting a 30 percent decline in production and Tamaulipas is expecting a 40 percent decline for MY 2011/12 (November/October). These weather conditions have made production forecasting very difficult. Although there is no official Mexican forecast for orange production for MY 2011/12, Post forecasts orange production to be about 3.2 million metric tons (MMT). Fresh orange production estimates for MY 2010/11 remain unchanged at 4.1 MMT. Sources indicate that MY 2010/11 was also affected by dry weather conditions. MY 2009/10 fresh orange production estimates were revised upward based on official data. Veracruz is the most important producer of fresh oranges in Mexico with almost 50 percent of production, followed by the states of Tamaulipas with a 12.6 percent, San Luis Potosi with a 9.7 percent and Nuevo Leon with a 5.8 percent of total production. The vast majority of Mexican orange production is Valencia or other juice variety.

Area planted and harvested for MY 2011/12 is not expected to increase from MY 2010/11 area. In fact, post expects marginal decreases due to abandoning of groves as a result of dry weather conditions and higher production costs. Area planted for MY 2009/2010 and MY 2010/11 was revised downward from previous Post estimates, based on official information, reflecting dry weather conditions affecting overall production. However, area harvested for MY 2009/10 and 2010/11 was revised upward, based on official estimates. Growers associations (especially in Baja California Sur, Sonora and Yucatan) planted more orange trees in order to phase out low yielding trees, as well as to spur new development projects. However, some growers have been abandoning groves, or switching to other crops, due to high production costs, wide swings in fresh orange prices, unfavorable weather conditions and marketing channel distribution problems. To the extent that production has increased over the last several years, these gains have been due to increased tree planting density rather than an expansion of planted area.

National orange yields for MY 2011/12 are forecast to be slightly lower, at approximately 9.5 metric tons per hectare (MT/ha), compared to MY 2010/11 average yields of 12.2 MT/ha. Regional orange yields differ widely depending on the production area. The variation in yields is caused by many factors, including weather, frequency of fertilizer and pesticide applications, tree density, and terrain quality. Typically, Veracruz orange yields range from 10 to 20 MT/ha, Nuevo Leon yields range from 12 to 15 MT/ha, and San Luis Potosi yields range from 7 to 13 MT/ha.

Production costs vary amongst citrus regions. The average cost of production for a traditional grove with minimally intensive cultivation in Veracruz is approximately 6,000 to 10,000 pesos/ha (U.S.

$435.41/ha to $725.68/ha), while the cost for a more intensively farmed grove in Veracruz is between 12,000 to 18,000 pesos/ha (U.S. $870.82/ha to $1,306.24/ha). The cost of production in Sonora is higher and ranges from 18,000 to 25,000 pesos/ha (U.S. $1,306.24/ha to $1,814.22/ha) due to higher costs for irrigation and quality control (the state is in a fruit fly-free area, a status which requires more maintenance expenditures). Costs in Nuevo Leon are generally higher than those in Veracruz because of pump irrigation, fertilizer use, and pest control, and range from 11,500 to 17,000 pesos/ha (U.S. $834.54/ha to $1,233.67/ha). These last inputs account for approximately 40 percent or more of total Nuevo Leon production costs. This state has been striving to be recognized as a fruit fly free area, and some areas have been given that recognition [1]. Nuevo Leon is one the states that can export fruit to the United States due to its good phytosanitary status. Some areas in the state of San Luis Potosi [2], the third largest producer of oranges, are recognized as having a low prevalence of fruit fly. Some areas of the state of Tamaulipas have been declared as free of fruit fly [3]. Fruit fly-free status greatly enhances a region's ability to export product. Average field worker wages are approximately 70 pesos (U.S. $5.07) per day, but producers often pay 100 to 125 pesos (U.S. $7.25 to $9.07) or more per day in order to attract a sizeable workforce.

Orange prices depend on demand from the processing industry as well as transportation costs and available supply. For example, farm gate prices in Veracruz were approximately 1,500 to 2,000 pesos per MT (U.S. $108.85 to $145.13 /MT) for "Early March" variety of Valencia oranges in October 2011 compared to same month in 2010 of $930 pesos /MT (U.S.$74.75/MT), as there is a lower volume of oranges available. Transportation costs from Veracruz to Mexico City are usually 350 to 450 pesos per MT (U.S. $25.39 to $32.65 per MT) for same day delivery. Transportation costs continue increasing due to fuel price increases.

[1] The Secretariat of Agriculture announced in the *Diario Oficial* (Federal Register) on October 31, 2008, that 19 counties, some without citrus area, in Nuevo Leon had been declared free of fruit fly. On September 28, 2010, two more counties were declared free of fruit fly in Nuevo Leon.
[2] On September 29, 2009, the Secretariat of Agriculture published a decree in the *Diario Oficial* declaring 11 counties (about 4,460 hectares of citrus area) from the State of San Luis Potosi, as low prevalence zones for fruit fly.
[3] On December 9, 2011, the Secretariat of Agriculture published a decree in the *Diario Oficial* declaring 6 counties from the state of Tamaulipas as free of fruit fly.

CONSUMPTION

Fresh orange consumption for MY 2011/12 is forecast to decrease 16.3% from the previous marketing year as the fresh market is forecast to carry less fruit at higher prices due to a shorter crop. Most of the oranges in the fresh market are destined for domestic fresh squeezed juice. A limited amount of oranges are consumed as fresh fruit. Final domestic consumption estimates will depend on the final volume of oranges purchased by the processing industry and the margins between domestic orange prices and international juice prices. Fresh orange consumption estimates for MY 2010/11 were revised downward from previous estimates as the processing industry attracted more oranges for juice processing. MY 2009/10 consumption was revised upward as there were more fresh oranges than expected at competitive prices.

October 2011 early wholesale Valencia orange prices in Mexico City from Veracruz started at approximately 3.00 pesos per kilogram (U.S. $0.21/kg), slightly higher in comparison to the same time last year. However, prices are expected to drop as more oranges become available as the Veracruz

harvest picks up. Mexico City supermarket retail prices began at 12.80 pesos/kg (U.S. $0.92/kg) in November 2011.

TRADE

Mexican orange exports for MY 2011/12 are forecast to be similar to MY 2010/11 exports. Final export numbers will depend on U.S. demand and orange supplies from California and Florida. Exports for MY 2010/11 were revised downward as there was lower demand. MY 2009/10 export estimates remained unchanged. Most of Mexico's oranges exported to the United States are from Sonora, a state that produces exceptionally high-quality oranges, most of which are Navels. In recent years, producers in Nuevo Leon have increased their orange exports to both the United States and Canada. The United States continues to be the largest export market for Mexican oranges.

Mexico signed a trade agreement on April 1, 2005, with Japan that included a duty-free annual quota of 10 MT of oranges for the first two years (i.e., MY 2005/06 and 2006/07). In MY 2007/08, the quota increased to 2,000 MT, followed by step increases of 1,000 MT each year until reaching 4,000 MT in MY 2009/10. Mexico negotiated an improved MFN duty for oranges beginning in April 2007. However, Mexico has not taken advantage of this market since the United States offers a more attractive market due to proximity.

Mexican orange imports for MY 2011/12 are forecast to be similar to MY 2010/11 imports, or about 21,000 MT. Most orange imports depend on demand from the U.S.-Mexico border region. The estimate for orange imports for MY 2010/11 were revised upward due to a higher demand from the border region. U.S. oranges imported to Tijuana, Baja California at the wholesale market were in October 2011, $135 pesos for 22-kg box (U.S.$9.79/box), while in October 2010 prices were $140 pesos per box (U.S.$11.25/box). Mexico is a price-sensitive market, and U.S. orange prices are relatively high compared to domestic prices. The import estimate for MY 2009/10 remains unchanged.

FRESH LEMONS

PRODUCTION

Key limes and Persian limes are economically significant for Mexico. Mexican Key limes are grown along the Pacific coast in the states of Colima, Michoacán, Guerrero, and Oaxaca. Meanwhile, most Persian limes are grown in a micro-climate in northern Veracruz with smaller scale production in Tabasco, Oaxaca, Puebla, Jalisco and Yucatan.

There is not yet an official production forecast for MY 2011/12 (November/October) for Key limes and Persian limes, but post estimates production at 1.70 MMT, slightly lower than MY 2010/11 production. Veracruz went through a series of weather events that affected the flowering of the Persian lime trees. During September/October 2011, expected rainfall did not materialize and during November it rained when it should have been drier. The state of Michoacán was hit by heavy rainfall from Hurricane "Hilary" in September 2011 affecting the flowering of Key lime trees. During the month of October, hurricane "Jova" affected Key lime trees in the state of Colima. Lime production for MY 2010/11 was

revised downward from previous estimates due to dry weather conditions. Production for MY 2009/10 was revised upward based on official data.

High international market prices and fewer phytosanitary concerns have led to increased planted area for both Persian and Key limes. Approximately 42 percent of total planted area is devoted to Persian limes, 54 percent is for Key limes, and the remainder is for Italian lemons. The Persian lime area planted in Veracruz has grown at a faster rate than that of Key limes. In fact, many producers have replaced orange and grapefruit groves with Persian limes in order to take advantage of strong international demand and higher prices.

Michoacán and Colima are the main Key lime producing states. Key lime planted area has increased at slower rates due to domestic price swings. Michoacán has an excellent winter production window (December to February) that allows its Key limes to enter the domestic market first. As such, planted area has tended to expand more rapidly in this state. According to producers, the domestic market is saturated with Key limes and a substantial increase in Michoacán's planted area could reduce prices for Key limes in the international market. It has become current practice for Michoacán producers to suspend harvest during the course of the year to prevent oversupplying the domestic market and subsequent low prices. Therefore, planted area for MY 2011/12 is forecast to have marginal growth to 158,100 hectares. Estimates for planted and harvested area for MY 2010/11 were revised upward as Michoacán, Oaxaca and Veracruz increased lime area. Estimates for MY 2009/10 for area planted were revised downward, while area harvested was revised upward based on official estimates.

More than 25 percent of the Persian lime groves in Veracruz use micro-jet irrigation, or other irrigation systems, and produce year-round. Most of the irrigated Key lime groves are in the states of Michoacán and Colima and are able to produce year-round. In contrast, almost all of the planted area for Key limes in Guerrero and Oaxaca is rain fed. In Colima, about half of the Key lime groves have coconut palm trees planted between Key lime trees in order to increase producer revenue.

The Persian lime industry tends to be dominated by large producers who have achieved economies of scale. Rain-fed Persian lime production costs average between 11,000 pesos/ha to 18,000 pesos/ha (U.S. $798.00 to $1,306.24/ha). Intensive production areas can have production costs as high as 28,000 pesos/ha or more (U.S. $2,031.93/ha) in Veracruz. Production costs are affected by imported herbicide and fertilizer prices.

The cost of production for Key limes varies according to cultivation practices and technology. In the most important Key lime producing states (Oaxaca, Colima and Michoacán), production costs can vary from 8,500 pesos/ha to 18,600 pesos/ha (U.S. $617 to $1,349.78/ha), and can increase to 25,000 pesos/ha (U.S. $1,814.22/ha) for intensively managed areas.

Transportation costs from Veracruz to the U.S. border are approximately 12,000 pesos/trailer (U.S. $870.82), depending on fuel prices. Packing plant input costs have increased as well, in the last few years, mainly due to exchange rate fluctuations that made imported goods, such as the boxes to pack the fruit, more expensive.

Persian and Key lime yields differ widely depending on production conditions. The average yields for Persian limes in Veracruz range from 8 to 16 MT/ha, depending on cultivation practices, but some

yields are as high as 25 MT/ha. Key lime yields average between 7 to 12 MT/ha, with a few well-tended groves reaching 30 MT/ha. Grower prices for Persian limes range from 600 to 3,000 pesos/MT (U.S. $43.54 to $217.70/MT) for the domestic market, and 3,000 to 9,000 pesos/MT or more (U.S. $217.70 to $653.12/MT) for the export market. Grower prices for Key limes fluctuate more than prices for Persian limes, depending on the season and the producing state. On average, Key lime grower prices range from 900 to 3,400 pesos/MT (U.S. $65.31 to $246.73/MT). Although Key lime production is year round, production in Michoacán targets the winter season (October to February), while production in Colima covers demand from May through September. Oaxaca and other states cover the rest of the year.

Italian lemons (EUREKA) are grown in the states of Tamaulipas, Yucatan, San Luis Potosi, and Colima. In the 1990's, producers in Tamaulipas and San Luis Potosi began producing lemons on a contract basis for a soft-drink bottler to be used for juice and lemon oil. However, after the contract ended in 2006, growers began exploring the international market. Producers in the state of Yucatan began producing lemons for the bottling company once the Tamaulipas contract ended.

According to the most recent official data, MY 2009/10 lemon production was 85,516 MT (with 12,614 MT produced in Tamaulipas, 4,578 MT in San Luis Potosi, and 66,853 in Yucatan) higher than MY 2008/09 production of 85,275 MT. Total planted area for MY 2009/10 was 4,520 hectares slightly lower compared to MY 2008/09 area of 4,639 hectares. Harvested area for MY 2009/10 was 4,417 hectares compared to MY 2008/09 harvested area of 4,261 hectares. Tamaulipas yields for MY 2009/10 were 10.5 MT/ha and Yucatan yields were 28.7 MT/ha. Private sources, however, indicate that Tamaulipas has about 3,200 hectares with an approximate production of 80,000 MT of lemons.

CONSUMPTION

Domestic consumption of both Key and Persian limes in Mexico depends largely on prices as well as the volume of limes exported. Consumption for MY 2011/12 is forecast to be down compared to MY 2010/11 consumption or 992 MT as lower volumes of limes will be available at higher prices. Consumption estimates for MY 2010/11 were revised downward as demand was slower due to higher prices. During the Persian lime export season, prices are high and domestic demand falls. Domestic consumption for MY 2009/10 was revised upward due to better consumer demand.

Depending upon U.S. demand, approximately 50 to 60 percent of Persian limes from Veracruz, or about a third of total Persian lime production, go to the export market. Persian limes that do not meet the higher quality requirements of the export market are consumed within Mexico. On the other hand, most Key limes go to the fresh domestic market, but exports have been increasing. In general, approximately 16 to 20 percent of total Key lime production goes to processing. Producers from Colima and Michoacán indicate that approximately 30 percent of their limes go to processors. Italian Lemon producers in Tamaulipas indicate that about 40 percent of their produce goes to the export market and 60 percent of their production goes to the juice processing industry. Italian Lemon producers from other states indicate that about 35 percent of their produce is for fresh consumption. Official estimates of processing industry demand are unavailable.

Mexican Key limes and Persian limes compete for the same market. When Key limes and Persian limes are both present in the domestic market during peak season, prices are relatively low. When the Persian

lime harvest season is at its peak (June to September), prices for both tend to fall. After two to three months, when Persian lime growers begin to export, prices for Persian limes increase and remain high until April or May when exports decrease and both crops compete for the fresh domestic market. Key limes from Michoacán, Colima, and Oaxaca are sold on the wholesale market in 18-20/kg boxes while those from Guerrero are sold in 20-22/kg bags. Persian limes are sold in wholesale markets in 50-100/kg bags.

TRADE

Persian and Key lime exports for MY 2011/12, at 440,000 MT, are forecast to be slightly lower compared to MY 2010/11as dry weather and untimely rainfall at the end on 2011 prevented Persian limes from achieving export quality. However, exports depend heavily on international demand from Europe, the United States and the exchange rate swings. Exports for MY 2010/11 were revised upward to 458,258 MT as international demand was very good. Estimated exports for MY 2009/10 were revised downward from previous estimates, due to decreased demand from international markets.

The spring Persian lime harvest begins in early April and, depending on prices, is usually shipped to European markets before being shipped to the United States. According to exporters, a good price for Persian limes is about U.S. $40 per 40-pound box. However, U.S. prices for January/February 2011 were very good as prices reached levels of U.S. $48 to $68 per 40-pound box.

Lime exporters continue to expand into the European and Japanese markets, but still supply about 40 percent of the U.S. and Canadian markets. International prices for Persian limes began October/November 2011 at U.S. $10 to $15 per 40-pound box and it is expected that prices will reach U.S. $40 or more per box by 2012.

Lime imports continue to be minimal due to ample domestic supplies. MY 2011/12 imports are forecast at 2,000 MT same as in MY 2010/11. Data for MY 2009/10 remains unchanged. Mexico's tariff rate on imported limes from the United States is zero percent under NAFTA.

There is no data available regarding Italian lemon exports as the commodity is grouped in the lemon/lime tariff line.

FRESH GRAPEFRUIT

PRODUCTION

There is no yet an official forecast for grapefruit production for MY 2011/12 (November/October), but according to industry sources, compared to last marketing year, production is forecast to decline over 20% to 300,000 MT. As in other citrus, grapefruit production, too, has been affected by dry weather conditions in the states of Nuevo Leon, Veracruz and Tamaulipas. Sources indicated that due to these weather factors, some orchards have been abandoned. Grapefruit production for MY 2009/10 and MY 2010/11 were revised downward as there were less hectares harvested than expected.

Area planted has fluctuated between 17,000 and 19,000 hectares, depending on price variations and weather conditions. Area planted for MY 2011/12 is forecast to remain close to last year's18,500 hectares as the rate of growth in newly developed areas in Michoacán has slowed down. Area planted for MY 2009/10 and MY 2010/11 was revised upward based on official data but area harvested was revised downward.

Although Veracruz has increased some planted area, abandoned or damaged areas in other parts of the state have offset this growth. Costs of production for grapefruit fluctuate between 10,500 to 20,000 pesos per hectare (U.S. $761.97 to $1,451.37/ha). Production costs associated with pest control tend to be higher in Veracruz than in Michoacán, but Michoacán costs associated with irrigation are higher than Veracruz, as almost 80 percent of Veracruz grapefruit area is rain-fed. Generally, input costs have increased due to higher prices for imported fertilizers, pesticides, and other agrochemical products.

There are two types of grapefruit planted in Mexico: the red table varieties and the white-fleshed varieties. The red table varieties are produced in Tabasco, Campeche, Michoacán, Nuevo León, Tamaulipas, and Veracruz and are mainly for export purposes as fresh fruit and peeled slices to the United States and Europe. White-fleshed varieties are produced in Tamaulipas and Veracruz and are used for juice production or for peeled slices. According to growers, planting of red varieties over the last couple of years has increased because of the higher export demand.

According to growers and the industry, approximately 20 percent or more of grapefruit production is destined for processing. However, that estimate largely depends on demand for peeled fruit in the international market and demand for juice in the domestic and international markets. The MY 2011/12 forecast of grapefruit destined for processing is expected to be similar to MY 2010/11 unless there is a higher demand from the peeled fruit industry.

Grapefruit yields for MY 2011/12 are forecast at 17 MT/ha, lower than MY 2010/11 yields as the dry weather has affected overall yields. Yields for MY 2010/11 are estimated at 22.5 MT/ha. Veracruz accounts for approximately 59 percent of Mexican grapefruit production and has the highest yields in the country (between 20 and 35 MT/ha.). The state of Michoacán, with newer developments, follows with 14 percent of production and yields between 9 to 15 MT/Ha. Nuevo León accounts for almost 6 percent of total grapefruit production and generally has yields between 11 to 19 MT/ha. In other states, yields vary from 7 to 15 MT/Ha.

MY 2010/11 grower prices were between 1,200 and 1,500 pesos/MT at the tree (U.S. $87.08 to $108.85/MT). The grower price for the white grapefruit variety was less, about 700 to 1,200 pesos/MT (U.S. $50.79 to $87.08/ MT). MY 2011/12 grower prices are forecast to be higher as lower fruit volumes are expected. Michoacán has developed areas with red varieties that can be harvested from April to July, but grower prices tend to be higher than in Veracruz as fruit enters the market earlier in the season. From May to June 2011, grower prices for grapefruit from Michoacán ranged from 3,000 to 4,200 pesos/MT (U.S. $217.70 to $304.78/MT). But in August when Veracruz began the marketing year, prices fell to about 1,700 to a low of 1,000 pesos/MT in Nov/Dec 2011.

The Mexican grapefruit industry has limited juice production because it is more profitable to export fresh product and import the juice.

CONSUMPTION

Fresh grapefruit consumption for MY 2011/12 is forecast at 203,000 MT, significantly down from MY 2010/11 due to expected reduced supplies at higher prices. Consumption for MY 2009/10 and MY 2010/11 were revised downward due to lower supplies than expected. Grapefruit is in demand as it is perceived as a low calorie food.

Growers indicate there is no payment for quality premiums as consumers are interested in lower prices. Grower prices for grapefruit differ depending on the production area, for example, grower prices from Martinez de la Torre in Veracruz were on average 1.50 pesos/kg (U.S. $0.11/kg) for MY 2010/11, while for Michoacán, grower prices were on average 3.50/kg (U.S. $0.25/kg).

Since Michoacán can harvest earlier than Veracruz, Michoacán producers often demand higher prices in the domestic market. Michoacán wholesale prices for July and August 2011 ranged from 4.49 to 5.06 pesos/kg (U.S. $0.32 to $0.37/kg), which were slightly lower compared to last year's price range of 4.62 to 5.11 pesos/kg (U.S. $0.34 to $0.37/kg). When the Veracruz crop started in September 2011 prices dropped a 22 percent from the Michoacán prices to 3.39 pesos/kg (U.S. $0.25/kg). Prices for Nuevo Leon fruit in October 2011 in northern states was on average 6.20 pesos/kg (U.S. $0.45/kg), higher in nominal terms to last year's price of 4.40 pesos/kg (U.S. $0.35/kg).

TRADE

Grapefruit exports for MY 2011/12 are forecast at 15,000 MT due to an expected shorter domestic crop. According to growers, demand from Europe is good and offers better prices. About 93 percent of exports are shipped to European countries and a 3 percent to the U.S. Grapefruit exports sometime decrease when the domestic market offers higher prices. Exports for MY 2010/11 were revised upward to 18,000 MT as demand from European countries increased. Exports for My 2009/10 remained at 18,000 MT.

According to sources, most of the imported grapefruit from the United States is processed for export to the European market or re-exported to the U.S. market. Grapefruit imports for MY 2011/12 are forecast to be higher compared to MY 2010/11 imports or 8,000 MT due to expected higher demand from the peeled fruit industry. Estimates for MY 2010/2011 were revised downward as more fruit was sourced from the domestic market. Import estimates for MY 2009/10 remain unchanged.

ORANGE JUICE

PRODUCTION

MY 2011/12 forecast for oranges destined for processing is expected to be about 700,000 MT a significantly lower volume compared to MY 2010/2011. The 37.5 percent decline is a result of the high temperatures prevailing in the northern states of Mexico and untimely rainfall in most of the orange

production areas. This forecast will depend on the international price for frozen concentrate orange juice (FCOJ) and the tendency of fresh orange prices in the domestic market. The estimate for oranges destined for processing for MY 2010/11 was revised upward to 1.1 MMT as the market experienced an unprecedented surge in FCOJ prices that allowed for better industry profit margins. The MY 2009/10 estimate of oranges destined for processing was revised upward as there was more demand for FCOJ.

Reliable FCOJ production numbers are difficult to obtain, as there is no official data available. However, according to industry sources, FCOJ production for MY 2012 (January/ December) is forecast at 70,000 MT a 39 percent decline as less oranges will be available to process due to the dry weather conditions prevailing in the northern states of Mexico. FCOJ production estimates for MY 2011 were revised upward due to better availability of fresh fruit for the industry and good international FCOJ prices that enabled the industry to process more oranges. Juice production depends heavily on the international price of FCOJ and the domestic prices of fresh oranges. Data for MY 2010 production was revised upward based on industry information.

Higher prices in the international market enable processors to increase the prices paid to fruit producers. Prices for FCOJ for MY 2012 are forecast to be high (about U.S. $1.69/lb or more) due to reduced availability of oranges for processing, however, Brazil is expecting a higher output, which could be a drag on prices. According to the industry, FCOJ international prices for MY 2011 averaged U.S. $1.50/lb or more, compared to lower prices of MY 2010 that averaged U.S. $1.30/lb.

The industry bought fruit in the 2011 season at approximately 1,500 pesos/MT (U.S. $108.85/MT) delivered at the processing plant. Procurement prices for MY 2012 are forecast to be higher at about 2,200 pesos/MT or more (U.S. $159.65/MT) delivered at the processing plant due to expected lower supplies of fresh oranges.

CONSUMPTION

FCOJ consumption for MY 2011 is forecast at 7,000 MT, with a stable demand for orange juice in beverages with orange flavoring. The majority of Mexican consumers prefer freshly squeezed juice as opposed to processed orange juice. Consumption for MY 2010 and 2011 estimates remain unchanged at 7,000 MT. Most of the orange juice produced in Mexico goes to the export market. According to processors, carryover of FCOJ from one year to the other is approximately 2,000 MT.

TRADE

Exports of FCOJ for MY 2012 are forecast to decrease to 64,000 MT or lower if fresh orange prices are too high and/or if FCOJ international prices are lower than expected. Processors are forecasting a low production year due to weather-related lower production of fresh oranges. FCOJ export estimates for MY 2010/11 were revised upward due to strong international demand and higher FCOJ prices. Estimates for MY 2009/10 were also revised upward due to a stronger international demand than expected. The United States is the main market for Mexican FCOJ, followed by Japan and Europe. According to industry sources, Mexico is exporting more juice to Europe and Japan in order to take advantage of the lower tariffs it enjoys under trade agreements. FCOJ is imported into Mexico to cover the industry's needs for blending as well as to meet demand from hotels and restaurants. Nevertheless, these imports are marginal compared to domestic production. FCOJ imports for MY 2012 are forecast

at 1,000 MT. Imports for MY 2010/11 were higher at 1,250 MT and MY2009/10 imports were lower than estimated at 635 MT according to trade data.

Under Mexico's free trade agreement with the European Union (EU), the EU allows entry of 30,000 MT of FCOJ from Mexico with a tariff set at 25 percent below the 20 percent MFN duty. Mexico exported about 13,141 MT of FCOJ to European countries in 2010. Mexico also ships product to Japan under a trade agreement that allows entry of 6,500 MT at one-half of the 20 percent MFN tariff duty, or 10 percent. During MY 2010, Mexico exported approximately 4,586 MT of FCOJ to Japan. On September 23, 2011, Mexico and Japan signed an amendment to the trade agreement expanding opportunities for Mexico to increase exports on some agricultural products like FCOJ. Now the quota will expand to 8,000 MT of FCOJ in 2016 with an increase of the tariff preference from 50 to 75 percent below the MFN duty rate. This agreement still has to be ratified by the Senate in Mexico.

POLICY

CITRUS GREENING

Citrus greening or Huanglongbing (HLB) has been detected in several citrus-producing areas. As part of the prevention campaign against the introduction of citrus quarantine pests, the government detected the presence of HLB in the states of Yucatan (July 2009); Quintana Roo (August 2009); Nayarit and Jalisco (December 2009); Campeche (March 2010); Colima (April 2010) and Sinaloa (June 2010). See Mexico GAIN Reports MX9043 (2009), MX0005 (2010), and MX0055 (2010) for additional information about Mexico's Secretariat of Agriculture (SAGARPA) regulatory measures to monitor and protect the country from HLB.
SENASICA's web page on HLB contains information about all the programs and control and prevention campaigns that Mexico is following: http://www.senasica.gob.mx/?id=1013

Mexico is currently surveying a range of areas for the presence of the HLB bacterium, *Candidatus Liberibacter asiaticus*, in symptomatic host plants across the country. USDA and Mexico are conducting joint suppression campaigns aimed at reducing populations of HLB's insect vector, the Asian Citrus Psyllid (ACP), along the border and, recently, began collaborating to expand efforts into Central American countries to combat this pest. According to SAGARPA, the phytosanitary activities include the detection of plants and symptomatic trees, the elimination of plants with defined symptoms, establishing quarantine areas, doing chemical control of ACP in rural and urban zones, producing nursery stock under anti-aphid protection, and holding training and communication workshops.

According to the latest weekly bulletin from SENASICA, HLB is currently present in 13 of the 23 citrus producing states in Mexico and the states of Colima, Nayarit, Jalisco and Michoacán are the ones that evidence the greatest damage as HLB is present in commercial orchards.

Production, Supply and Demand Data Statistics:

Table 1. Mexico: Fresh Orange Production

Oranges, Fresh Mexico	2009/2010		2010/2011		2011/2012	
Ha, 1,000 trees, 1,000 MT	Market Year Begin: Nov 2009		Market Year Begin: Nov 2010		Market Year Begin: Nov 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	340,000	339,389	340,200	339,760		339,000
Area Harvested	334,000	334,573	334,100	335,000		334,000
Bearing Trees	67,468	67,583	67,488	67,670		67,468
Non-Bearing Trees	1,212	973	1,232	962		1,010
Total No. Of Trees	68,680	68,556	68,720	68,632		68,478
Production	3,600	4,051	4,100	4,100		3,200
Imports	22	22	16	21		21
Total Supply	3,622	4,073	4,116	4,121		3,221
Exports	26	26	20	15		15
Fresh Dom. Consumption	2,766	3,167	3,246	2,996		2,506
For Processing	830	880	850	1,120		700
Total Distribution	3,622	4,073	4,116	4,131		3,221

Table 2. Mexico: Fresh Lemon/Lime Production

Lemons/Limes, Fresh Mexico	2009/2010		2010/2011		2011/2012	
Ha, 1,000 trees, 1,000 MT	Market Year Begin: Nov 2009		Market Year Begin: Nov 2010		Market Year Begin: Nov 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	153,700	153,442	153,700	157,957		158,100
Area Harvested	140,500	143,869	141,000	144,000		144,130
Bearing Trees	26,695	27,335	26,790	27,360		27,384
Non-Bearing Trees	2,508	1,819	1,384	2,651		2,654
Total No. Of Trees	29,203	29,154	28,174	30,011		30,038
Production	1,850	1,891	1,880	1,800		1,700
Imports	1	1	1	2		2
Total Supply	1,851	1,892	1,881	1,802		1,702
Exports	458	448	432	458		440
Fresh Dom. Consumption	1,098	1,149	1,144	1,054		992
For Processing	295	295	305	290		270

Total Distribution	1,851	1,892	1,881	1,802		1,702

Table 3. Mexico: Fresh Grapefruit Production

Grapefruit, Fresh Mexico	2009/2010		2010/2011		2011/2012	
Ha, 1000 trees, 1000 MT	Market Year Begin: Nov 2009		Market Year Begin: Nov 2010		Market Year Begin: Nov 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	18,400	18,520	18,400	18,500		18,500
Area Harvested	18,000	17,576	18,000	17,550		17,530
Bearing Trees	3,400	3,320	3,440	3,316		3,313
Non-Bearing Trees	280	178	240	179		183
Total No. Of Trees	3,680	3,498	3,680	3,495		3,496
Production	426	401	430	394		300
Imports	10	10	10	2		8
Total Supply	436	411	440	396		308
Exports	18	18	15	18		15
Fresh Dom. Consumption	318	293	325	288		203
For Processing	100	100	100	90		90
Total Distribution	436	411	440	396		308

Table 4. Mexico: Frozen Concentrate Orange Juice Production

Orange Juice Mexico	2009/2010		2010/2011		2011/2012	
MT	Market Year Begin: Jan 2010		Market Year Begin: Jan 2011		Market Year Begin: Jan 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Deliv. To Processors	830,000	880,000	850,000	1,120,000		700,000
Beginning Stocks	2,000	2,000	2,000	2,000		2,000
Production	82,000	88,000	85,000	116,000		70,000
Imports	1,000	635	1,000	1,250		1,000
Total Supply	85,000	90,635	88,000	119,250		73,000
Exports	76,000	81,635	79,000	110,250		64,000
Domestic Consumption	7,000	7,000	7,000	7,000		7,000
Ending Stocks	2,000	2,000	2,000	2,000		2,000
Total Distribution	85,000	90,635	88,000	119,250		73,000

Table 5: Mexico - Trade Matrixes for Fresh Oranges, Lemon/Limes, Grapefruit, and FCOJ

Table Oranges 0805.10	**Unit: Metric Tons**
Exports for MY 2009/10 (Nov-Oct) to:	**Imports for MY 2009/10** *(Nov-Oct)* **from:**

U.S.	21,123	U.S.	21,841
UNITED KINGDOM	5,297	ARGENTINA	0
TOTAL OF OTHER	5,297		
OTHER NOT LISTED	15	OTHER	0
TOTAL	26,435	TOTAL	21,841

Table Oranges	**0805.10**	**Unit: Metric Tons**	
Exports for MY 2010/11 (Nov-Oct*) to:		**Imports for MY 2010/11** *(Nov-Oct*)* **from:**	
U.S.	21,179	U.S.	20,537
UNITED KINGDOM	5,461		
TOTAL OF OTHER	5,461		
OTHER NOT LISTED	12	OTHER	0
TOTAL	26,652	TOTAL	20,537
*as of August 2011			

Lemons/Limes	**0805.50**	**Unit: Metric Tons**	
Exports for MY 2009/10 (Nov-Oct) to:		**Imports for MY 2009/10** *(Nov-Oct)* **from:**	
U.S.	413,350	U.S.	534
NETHERLANDS	13,660		
TOTAL OF OTHER	13,660		
OTHER NOT LISTED	21,286	OTHER	0
TOTAL	448,296	TOTAL	534

Lemons/Limes	**0805.50**	**Unit: Metric Tons**	
Exports for MY 2010/11 (Nov-Oct*) to:		**Imports for MY 2010/11** *(Nov-Oct*)* **from:**	
U.S.	424,495	U.S.	2,158
NETHERLANDS	12,426		
TOTAL OF OTHER	12,426		
OTHER NOT LISTED	23,322	OTHER	0
TOTAL	460,243	TOTAL	2,158
*as of August 2011			

Grapefruit	**0805.40**	**Unit: Metric Tons**	
Exports for MY 2009/10 (Nov-Oct) to:		**Imports for MY 2009/10** *(Nov-Oct)* **from:**	
U.S.	567	U.S.	9,817
FRANCE	9,608		
TOTAL OF OTHER	9,608	ISRAEL	0

OTHER NOT LISTED	8,224	OTHER	0
TOTAL	18,399	TOTAL	9,817

Grapefruit 0805.40		**Unit: Metric Tons**	
Exports for MY 2010/11 (Nov-Oct*) to:		**Imports for MY 2010/11 *(Nov-Oct*)* from:**	
U.S.	850	U.S.	2,376
NETHERLANDS	1,123		
TOTAL OF OTHER	1,123		
OTHER NOT LISTED	19, 306	OTHER	0
TOTAL	21,279	TOTAL	2,376
SOURCE: Global Trade Atlas Edition, August 2011			

Fresh Concentrate Orange Juice 2009.11		**Unit: Liters**	
Exports for MY 2010 (Jan-Dec) to:		**Imports for MY 2010 (Jan-Dec) from:**	
U.S.	44,069,865	U.S.	71,068
NETHERLANDS	8,390,253	BRAZIL	331,697
JAPAN	3,486,188	TOTAL OF OTHER	331.697
OTHER NOT LISTED	4,154,505	OTHER NOT LISTED	7,220
TOTAL	60,100,811	TOTAL	409,985

Fresh Concentrate Orange Juice 2009.11		**Unit: Liters**	
Exports for MY 2011 (Jan-Dec*) to:		**Imports for MY 2011 (Jan-Dec*) from:**	
U.S.	43,998,973	U.S.	34,964
NETHERLANDS	45,057,789	BRAZIL	583,531
JAPAN	2,593,562	TOTAL OF OTHER	583,531
OTHER NOT LISTED	11,065,569	OTHER NOT LISTED	4
TOTAL	102,715,893	TOTAL	618,499
* as of August 2011			

Orange Juice, Not Frozen 2009.19		**Unit: Liters**	
Exports for MY 2010 *(Jan-Dec)* to:		**Imports for MY 2010 *(Jan-Dec)* from:**	
U.S.	6,391,269	U.S.	495,728
CHILE	21,629	BRAZIL	3,816
TOTAL OF OTHER	21,629	TOTAL OF OTHER	3,816
OTHER NOT LISTED	55,204	OTHER NOT LISTED	4,436
TOTAL	6,468,102	TOTAL	503,980

Orange Juice, Not Frozen 2009.19		Unit: Liters	
Exports for MY 2011 *(Jan-Dec*)* **to:**		**Imports for MY 2011** *(Jan-Dec*)* **from:**	
U.S.	5,290,679	U.S.	304,087
NETHERLANDS	130,644	CANADA	48
TOTAL OF OTHER	130,644	TOTAL OF OTHER	48
OTHER NOT LISTED	20,230	OTHER NOT LISTED	703
TOTAL	5,441,553	TOTAL	304,838
*as of August 2011			

Table 6: Mexico – Wholesale Orange Prices (Pesos/Kg) cif Mexico city

Month	2009	2010	2011	Change % 10/11
January	1.78	2.19	2.33	0.45
February	1.96	2.45	2.40	(2.04)
March	2.00	2.89	2.65	(8.30)
April	2.13	3.95	3.33	(15.69)
May	2.84	5.05	4.67	(7.52)
June	4.49	5.78	5.26	(8.99)
July	4.79	4.71	5.70	21.01
August	4.07	5.35	5.52	3.17
September	3.83	5.06	4.31	(14.82)
October	3.00	2.87	3.00	4.52
November	2.87	2.27	3.00*	32.15
December	2.64	2.31	N/A	N/A

Source: Servicio Nacional de Informacion de Mercados
Avr. exchange rate for 2009 US$1.00 = $ 12.33 pesos
Avr. exchange rate for 2010 US$1.00 = $ 12.62 pesos
exchange rate November 15, 2011 US$1.00 = $ 13.51 pesos
**As Second Week Nov 2011*

Table 7: Mexico - Key Lime Wholesale Prices (Pesos/Kg) cif Mexico city

Month	2009	2010	2011	Change% 10/11
January	6.59	3.05	14.42	372.78
February	7.99	3.05	7.26	138.03
March	6.28	2.74	3.25	18.61
April	2.76	3.36	2.71	(19.34)
May	2.20	3.63	2.53	(30.30)
June	2.64	3.11	2.62	(15.75)
July	3.19	2.61	2.68	2.68
August	3.65	2.65	3.36	26.79
September	3.42	3.00	4.58	52.66
October	3.70	3.57	5.18	45.09
November	4.02	6.56	5.79*	(11.73)

December	4.16	13.05	N/A	N/A

Source: Servicio Nacional de Informacion de Mercados
Avr. exchange rate for 2009 US$1.00 = $ 12.33 pesos
Avr. exchange rate for 2010 US$1.00 = $ 12.62 pesos
exchange rate November 15, 2011 US$1.00 = $ 13.51 pesos
**As Second Week Nov 2011*

Table 8: Mexico - Persian Lime Wholesale Prices (Pesos/Kg) cif Mexico city

				Change %
Month	2009	2010	2011	10/11
January	6.20	4.85	19.52	302.47
February	6.26	5.77	27.67	379.54
March	6.99	7.92	19.42	145.20
April	6.18	13.85	5.91	(57.32)
May	5.26	15.37	4.04	(73.71)
June	3.53	6.57	3.98	(39.42)
July	2.39	3.77	3.54	(6.10)
August	2.60	3.45	3.75	8.69
September	2.81	3.52	4.20	19.31
October	2.76	3.48	4.02	15.51
November	3.62	5.25	4.13*	(21.33)
December	3.77	11.71	N/A	N/A

Source: Servicio Nacional de Informacion de Mercados
Avr. exchange rate for 2009 US$1.00 = $ 12.33 pesos
Avr. exchange rate for 2010 US$1.00 = $ 12.62 pesos
exchange rate November 15, 2011 US$1.00 = $ 13.51 pesos
**As Second Week Nov 2011*

Table 9: Mexico - Grapefruit Wholesale Prices (Pesos/Kg) cif Mexico city

	2010		2011	
STATE	Veracruz	Michoacán	Veracruz	Michoacán
Month				
January	3.81		3.03	
February	3.84		2.80	
March	3.80	3.71	3.00	
April		4.46	3.20	
May		5.07	3.62	4.33
June		4.93		4.89
July		5.11		5.06
August		4.62		4.49
September		4.04	3.39	4.39
October	3.23	3.69	3.32	
November	3.17		3.44	

December	2.92	3.20*

Source: Servicio Nacional de Informacion de Mercados
Avr. exchange rate for 2010 US$1.00 = $ 12.62 pesos
exchange rate November 15, 2011 US$1.00 = $ 13.51 pesos
**As Second Week Dec 2011*

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.