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Mexico

Citrus Annual

More Limes and Grapefruit, but Slightly Less Oranges Expected

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Report Highlights:
Fresh orange production for marketing year (MY) 2016/17 is expected to decrease compared to (MY) 2015/16, while fresh lemon/lime and grapefruit production expand slightly. Exports of limes and orange juice are expected to be good for MY 2016/17.

Commodities:

Oranges, Fresh
Orange Juice
Lemons, Fresh
Grapefruit, Fresh

Fresh Oranges

Crop Area

Post does not anticipate that planted area will change significantly in MY 2016/17, with an initial forecast of 335,600 hectares (Ha) planted. Fresh orange production has been affected by weather, including cold conditions, drought, and excess rainfall due to hurricanes as well as pests. New/Post area planted and harvested for MY 2015/16 are revised downward compared to the previous estimate based on official data. New/Post area planted for MY 2014/2015 is revised upward and area harvested is revised downward based on official data. The change in planted area in general reflects adverse weather conditions affecting overall production. Also, some growers have been abandoning groves, due to high production costs, wide swings in fresh orange prices, unfavorable weather conditions and marketing channel distribution problems. Any production increases over the last several years have been due to increased tree planting density rather than an expansion of planted area.

National yields for MY 2016/17 are forecast to be slightly lower, at approximately 14.3 metric tons per hectare (MT/ha), compared to MY 2015/16 average yields of 14.5 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 soil quality.

Production

The New/Post production forecast for MY 2016/17 (November/October) orange harvest is 4.3 million metric tons (MMT), lower compared to last marketing year due to weather issues. Producers indicate that production in the state of Veracruz could slow down due to problems with Citrus Greening. New/Post estimate for the MY 2015/16 harvest is revised upward to 4.4 MMT based on official estimates. However, other sources estimated total production lower than indicated by official estimations. Producers in Nuevo Leon indicated that their MY 2015/16 harvest was lower than expected due to dry conditions. The New/Post estimate for MY 2014/15 orange production is revised upwards to 4.5 MMT, due to higher than expected yields.

The state of Veracruz is by far the largest producer of oranges, with 50 percent of the planted area and 52 percent of production in MY 2014/15. Other significant producing states include Tamaulipas, San Luis Potosi, and Nuevo Leon. Orange production occurs on a limited scale throughout the country. The majority of Mexican orange production is Valencia and other juice varieties. According to orange producers in Nuevo Leon, production costs for MY 2015/16 ranged from $8,000 to $24,000 pesos for a well-tended area (U.S. $504.74 to $1,514.20) per hectare.

Table 1: Top Mexican Orange-Producing States
(MY 2014/15)

State	Planted Area (Ha)	% of Total	Production (MT)	% of Total
Veracruz	168,635	50%	2,336,426	51%
Tamaulipas	35,608	10%	668,934	14%
San Luis Potosi	33,184	10%	337,717	9%
Nuevo Leon	26,276	8%	313,438	7%
Puebla	23,321	7%	214,174	5%
All Others	50,656	15%	644,831	14%
Total	337,680	100%	4,515,520	100%

Source: Secretariat of Agriculture, Livestock, Rural Development, Fisheries and Food./ Agrifood and Fisheries Information System. (Secretaria de Agricultura, Ganaderia, Desarrollo Rural, Pesca y Alimentacion./ Servicio de Informacion Agroalimentaria y Pesquera) -SAGARPA/SIAP

Consumption

Fresh consumption of oranges in Mexico is mainly for fresh-squeezed orange juice, as Mexico primarily produces juice varieties. Fresh consumption depends on the volume of oranges purchased by the processing industry and international juice prices. New/Post forecasts domestic consumption of fresh oranges at approximately 2.6 MMT in MY 2016/17, slightly lower than the previous year due to lower demand and higher prices. New/Post MY 2015/16 fresh consumption estimates are revised upward due to more availability, as production was higher than expected. New/Post MY 2014/15 consumption is revised slightly upward due to a better demand. Wholesale orange prices in Mexico City were generally higher in MY 2015/16 than in the previous year. As MY 2016/17 began, prices dropped from $11.45 pesos/kg (U.S. $0.62/kg) in August to $5.02 pesos/kg (U.S. $0.26/kg) in October. Prices should continue to decline as the orange harvest progresses.

Based on information from processing industry contacts, New/Post forecasts that 1.7 MMT of oranges will be delivered to commercial juice processors in MY 2016/17. Deliveries to the processing industry will depend on fresh market prices. Estimated deliveries to processors for MY 2015/16 were revised upward based market intelligence. New/Post MY 2014/15 processing deliveries have also been revised upward to 1.5 MMT.

Table 2: Mexico – Wholesale Orange Prices (Pesos/Kg) Cif- Mexico city

Month	2014	2015	2016	Change % 15/16
January	2.81	2.98	3.58	20.13
February	2.80	3.18	4.05	27.35
March	3.13	3.37	4.97	47.47
April	3.80	3.63	6.38	75.75
May	4.46	4.51	9.57	112.19
June	5.72	6.06	11.69	92.90

July	6.66	7.89	11.76	49.04
August	9.26	9.24	11.45	23.91
September	6.89	6.76	8.24	21.89
October	3.11	4.12	5.02	21.84
November	3.00	3.17	5.26	65.93
December	3.01	3.47	5.50*	58.50

Source: Servicio Nacional de Información de Mercados
Avr. exchange rate for 2014 US$1.00 = $ 13.29 pesos
Avr. exchange rate for 2015 US$1.00 = $ 15.85 pesos
exchange rate December 2, 2015 US$1.00 = $ 20.74 pesos
**As of first week Dec 2016*

Trade

New/Post forecasts that in MY 2016/17, Mexican fresh orange exports will increase slightly to 55,000 MT since demand is expected to be good. The New/Post estimate for MY 2015/16 exports is revised downward from previous estimates due to lower demand. Exports for MY 2014/15 remain unchanged based on Global Trade Atlas (GTA) statistics.

Mexico exports a relatively small portion of its total fresh orange production. Almost all fresh orange exports go to the United States, with smaller volumes going to the United Kingdom and other markets. Most of the oranges exported to the United States are Navel oranges grown in Sonora. Additionally, Nuevo Leon has increased exports to the United States.
Orange export prices for November 2016 were about U.S. $30 to 32 per 40-pound case.

Mexico also imports some fresh oranges from the United States, primarily for consumption in the border region. New/Post forecasts Mexican imports for MY 2016/17 at 25,000 MT, almost the same level as in the previous two years. However, the depreciation of the peso against the dollar in recent months may reduce imports.

Table 3: Mexico – Fresh Oranges Production

Oranges, Fresh	2014/2015		2015/2016		2016/2017	
Market Begin Year	Nov 2014		Nov 2015		Nov 2016	
Mexico	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	336410	337680	336000	335610	0	335600
Area Harvested	323000	318379	320000	317000	0	317000
Bearing Trees	65246	64312	64640	64034	0	64034
Non-Bearing Trees	2709	3899	3232	3760	0	3636

Total No. Of Trees	67955	68211	67872	67794	0	67670
Production	4158	4515	3535	4400	0	4375
Imports	26	26	25	25	0	25
Total Supply	4184	4541	3560	4425	0	4400
Exports	44	44	60	54	0	55
Fresh Dom. Consumption	2940	2947	2275	2771	0	2645
For Processing	1200	1550	1225	1600	0	1700
Total Distribution	4184	4541	3560	4425	0	4400
(HECTARES) ,(1000 TREES) ,(1000 MT)						

Marketing

Fresh oranges in Mexico are mainly for fresh-squeezed orange juice, as Mexico primarily produces juice varieties. There are usually no in-store supermarket promotions. Street vendors sell fresh orange juice in the mornings with breakfast. Some supermarkets also have fresh orange juice for sale in small proportions. Small-size oranges are sold in 5 Kg bags. Mexico is a price-sensitive market and imported U.S. orange prices are relatively high compared to domestic prices and due to the current exchange rate, prices are expected to be higher. Most of the imported product is sold at the border or higher-end supermarkets.

Policy

Fresh orange imports (HS 0805.10) from the United States are not subject to any duty under the North American Free Trade Agreement (NAFTA), and are subject to phytosanitary inspection. Mexico only imports from the United States due to closeness of the market. Most of the oranges exported to the United States duty free are Navel oranges grown in Sonora as the state is in a fruit fly-free area. Some areas from the state of Nuevo Leon also export a few oranges to the United States.

Citrus Greening

Mexico is facing significant issues with citrus greening, or Huanglongbing (HLB). The disease, caused by bacteria introduced by psyllids, makes citrus trees produce misshapen, partially green fruit. Mexico's first detection was in 2009 and since then the National Service of Agricultural Food Safety and Quality (SENASICA) has implemented an extensive monitoring program for the disease. HLB has been detected in 23 states and 336 municipalities. Production states, including Veracruz, Tamaulipas, San Luis Potosi, and Nuevo Leon, have had HLB detections. According to SENASICA information, to date the detections for these states have only been in psyllids and not in plant material.

Producers in some regions indicate that to date HLB has not had a direct impact on their production. However, producers report increased vigilance and precision of agrochemical applications to prevent any outbreaks.

See FAS Mexico GAIN reports MX9043 (2009), MX0005 (2010), and MX0055 (2010) for additional information about SAGARPA's regulatory measures to monitor and protect the country from HLB.

SENASICA's web page on HLB contains information about programs and control and prevention campaigns:
http://www.gob.mx/senasica/documentos/informes-y-evaluaciones-huanglongbing
http://www.gob.mx/senasica/acciones-y-programas/huanglongbing-de-los-citricos

Frozen Concentrated Orange Juice (FCOJ) 65^0 Brix

Production

Frozen Concentrated Orange Juice (FCOJ) production for MY 2016/17 (November/ October) is forecast to increase slightly despite lower fresh orange production estimates. Orange producers indicate that expected strong demand from processors due to attractive orange juice futures prices (approximately U.S. $2.00 per pound) as the reason. The initial New/Post forecast for MY 2016/17 orange juice production is 170,000 MT on a 65^0 Brix basis (Conversion factor for 200911 is Kl *1.32= MT 65^0 Brix; factor for 200919 and 200912 is Kl*0.1816= MT 65^0 Brix). Post revised MY 2015/16 production upward to 165,000 MT due to higher than expected deliveries to processors at good prices. Deliveries to processors in MY 2014/15 were also revised upward based on market intelligence.

Based on expectations of higher exports to the United States and orange grower reports of strong processor demand, Post's initial forecast for MY 2016/17 orange use by processors is 1.70 MMT. The Post estimate for orange deliveries to processors for MY 2015/16 is 1.60 MMT and 1.55 MMT for MY 2014/15.

The Government of Mexico does not prepare official statistics related to orange juice production. Production tends to vary based on international juice prices and the availability and price of domestic oranges. The current international price for FCOJ is approximately U.S. $2.00 per pound.

Consumption

Domestic orange juice consumption had been relatively stable at 6,000-7,000 MT per year as MY 2014/15 indicates. However, according to sources, consumption for MY 2015/16 increased about a 30 percent due to higher consumption by the hotel and restaurant industry. The New/Post estimate for MY 2015/16 is 8,500 MT. Although the industry was expecting a consumption growth for MY 2016/17, the forecast is that consumption will decrease to about 8,000 MT. According to sources, the economic situation in Mexico, including the recent decrease in value of the peso against the dollar, and the increase in fuel prices will be the main cause of the decrease. Industry reports that stocks are approximately 2,000 MT or less, as a certain amount is needed for blending during the production process.

Trade

Discrepancies in the available trade statistics for orange juice make it difficult to estimate the true trade volume. However, New/Post forecasts 163,000 MT in orange juice exports in MY 2016/17 based on early reports from the industry. Estimates for MY 2014/15 and MY 2015/16 have been revised upward based on industry information. The United States is the primary market for orange juice from Mexico. Processors expect to export similar amounts of juice to the United States in MY 2016/17 as they did in MY 2015/16 due to smaller orange harvest in Florida.

Marketing
The majority of Mexican consumers prefer freshly squeezed juice as opposed to processed orange juice. Most of the FCOJ is sold in restaurants and hotels, as well as for beverages with orange flavoring by different brands, or in alcoholic drinks.

Policy
Based on a 2011 agreement, Mexico may export 7,500 MT of FCOJ to Japan under a reduced tariff of 10 percent (most favored nation (MFN) tariff is 20 percent) through March 31, 2016. This quota will expand to 8,000 MT the following year and the preferential tariff will be reduced to 5 percent. Additionally, Mexico may export 30,000 MT of FCOJ to the European Union (EU) at a reduced tariff of 15 percent (MFN tariff is 20 percent) based on the Mexico-EU free trade agreement. However, the U.S. market is seen as more lucrative and is preferred by Mexican exporters.

Mexico does import a small amount of orange juice to cover blending needs and for the hotel, restaurant, and institutional (HRI) sector. Most imports come from the United States at no duty. Post forecasts that Mexico will import approximately 1000 MT of orange juice in MY 2016/17. Based on to the Global Trade Atlas, Post has increased import estimates for MY 2015/16 and 2014/15 to 1,100 MT and 1,000 MT, respectively. The HS codes are 2009.11, 2009.12, and 2009.19

Table 4: Mexico – Frozen Concentrated Orange Juice Production

Orange Juice	2014/2015		2015/2016		2016/2017	
Market Begin Year	Nov 2014		Nov 2015		Nov 2016	
Mexico	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Deliv. To Processors	1200000	1550000	1225000	1600000	0	1700000
Beginning Stocks	914	914	1785	1714	0	1200
Production	120671	159000	126594	165000	0	170000
Imports	700	1000	600	1100	0	1000
Total Supply	122285	160914	128979	167814	0	172200
Exports	114000	152700	121500	158114	0	163000
Domestic	6500	6500	6200	8500	0	8000

Consumption						
Ending Stocks	1785	1714	1279	1200	0	1200
Total Distribution	122285	160914	128979	167814	0	172200
(MT)						

Fresh Lemons/Limes

Crop Area

Weather for MY 2016/17 (November/October) is expected to be better compared to MY 2015/16 where heavy rain and frost affected lime production. In general, producers indicated that both Persian and Key limes are experiencing overproduction problems. Good international market prices and fewer phytosanitary concerns have led to increased planted area for both Persian and Key limes. The New/Post planted and harvested areas forecast for MY 2016/17 are expected to increase, however cost of production and weather issues will determine the pace. Total New/Post estimates for planted and harvested areas for MY2015/16 are revised upward from previous estimates and planted and harvested areas for MY 2014/15 are also revised upward based on official information. Planted area for Persian limes has grown from 42 percent of total lime area in MY 2009/10 to 50 percent in MY 2014/15. Key lime area decreased from 54 percent of total area in MY 2009/10 to 44 percent in MY 2014/15. The Persian lime area planted in Veracruz has grown at a faster rate than that of Key limes in other places. Persian and Key lime yields vary 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 7-13 MT/Ha, with a few well-tended groves reaching 30 MT/Ha.

Veracruz is the main Persian lime producer. More than 25 percent of the Persian lime groves in Veracruz use micro-jet irrigation, or other irrigation systems, and produce year-round. 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 $17,800 pesos/Ha to $28,350 pesos/Ha (U.S. $988.88/Ha to $1,575.00/Ha). Intensive production areas can have production costs as high as $42,600 pesos/Ha or more (U.S. $2,366.66/Ha) in Veracruz. Production costs are affected by imported herbicide and fertilizer prices, which become more expensive for Mexican producers as the Mexican peso continues to fall relative to the U.S. dollar.

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 common practice for Michoacán producers to suspend harvesting during the course of the year to prevent oversupplying the domestic market and subsequent low prices. 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. 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 $14,180 pesos/Ha to $30,630 pesos/Ha (U.S. $787.77/Ha to $1,701.66/Ha), and can increase to $45,180 pesos/Ha (U.S. $2,510.00/Ha) for intensively managed areas.

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 Chiapas, Tabasco, Oaxaca, Puebla, Jalisco, and Yucatan. 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. According to SAGARPA, Mexico is the second largest lemon/lime producer in the world.

There is not yet an official forecast for MY 2016/17 Key limes and Persian limes, but New/Post estimates total production to be at 2.4 MMT, as more area is expected to come into full production. Production of Persian limes is expected to be good as analysts expect beneficial weather in the state of Veracruz throughout 2017. New/Post lime production estimate for MY 2015/16 was revised slightly upward from previous estimates as more area came into production. Key lime production in Colima is expected to rebound. The state of Colima has tried to recover from an approximate 20-30 percent fall in production due to citrus greening disease in MY 2013/14. Production in Colima for MY 2015/16 is expected to increase to 230,000 MT from 185,000 MT in MY 2014/15. The New/Post MY 2014/15 lime production estimate is revised upward based on official data. The state of Michoacán is also expected to have good production of Key limes.

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. Some growers in Nuevo Leon have planted some 200 hectares on a trial basis. According to official sources, for MY 2014/15 there were about 8,285 hectares planted to Italian lemons in Mexico with a production of about 151,904 MT.

Grower prices for Persian limes range from $700 to $4,300 pesos/MT (U.S. $38/MT to $239/MT) for the domestic market, and $4,600 to $11,225 pesos/MT or more (U.S. $255.55/MT to $623.61/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 $1,000 to $3,900 pesos/MT (U.S. $55.55/MT to $216.66/MT) or higher if limes are destined for export. The processing industry in Colima was buying fruit at about $2,300 pesos/MT (U.S. $127.77/MT).

Consumption

Domestic consumption of both Key and Persian limes in Mexico depends largely on prices as well as the volume of limes exported. New/Post consumption for MY 2016/17 is forecast at 1.4 MMT due to expected good demand. New/Post consumption estimates for MY 2015/16 are revised upward from previous estimates, due to a strong demand. While Persian limes are being exported during the first months of the year, domestic prices tend to be higher and demand falls. However, prices for April/May

2016 increased more than a 100 percent due to weather problems like frost in the states of Michoacán and Colima. New/Post domestic consumption for MY 2014/15 is revised upward due to better demand.

Depending upon U.S. demand, approximately 50-60 percent of Persian limes from Veracruz, or more than a third of total Persian lime production, goes 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 16-20 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 production goes to the export market and 60 percent goes to the juice processing industry. Italian lemon producers from other states indicate that about 35 percent of their production 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.

Table 5: Mexico - Key Lime Wholesale Prices (Pesos/Kg)
Cif- Mexico city

Month	2014	2015	2016	Change% 15/16
January	9.01	4.62	4.72	2.16
February	17.48	5.25	6.88	31.04
March	17.87	6.21	9.72	56.52
April	6.83	4.91	15.41	213.84
May	4.38	4.33	8.04	85.68
June	3.82	4.09	4.21	17.21
July	4.31	4.71	4.40	(6.58)
August	4.72	6.17	5.31	(13.93)
September	4.47	5.91	6.34	7.27
October	5.03	5.37	4.11	(23.46)
November	6.62	4.40	4.04	(8.18)
December	4.90	4.53	3.68*	(18.76)

Source: Servicio Nacional de Información de Mercados
Avr. exchange rate for 2014 US$1.00 = $ 13.29 pesos
Avr. exchange rate for 2015 US$1.00 = $ 15.85 pesos
exchange rate December 2, 2015 US$1.00 = $ 20.74 pesos
** As of first week Dec 2016*

Table 6: Mexico - Persian Lime Wholesale Prices (Pesos/Kg)
Cif- Mexico city

Month	2014	2015	2015	Change %

				15/16
January	7.25	5.68	5.98	5.28
February	15.51	5.31	7.96	49.90
March	38.59	8.61	10.56	22.64
April	30.29	10.57	22.84	116.08
May	14.27	8.33	24.89	198.79
June	6.64	4.74	11.27	137.76
July	4.74	4.60	5.22	13.47
August	4.60	5.94	5.53	(6.90)
September	4.64	5.75	6.32	9.91
October	4.34	5.88	5.78	(1.70)
November	4.92	5.80	5.57	(3.96)
December	5.02	5.86	5.00*	(14.67)

Source: Servicio Nacional de Información de Mercados
Avr. exchange rate for 2014 US$1.00 = $ 13.29 pesos
Avr. exchange rate for 2015 US$1.00 = $ 15.85 pesos
exchange rate December 2, 2015 US$1.00 = $ 20.74 pesos
** As of first week Dec 2016*

Trade

Mexican Persian and Key lime exports for MY 2016/17 are expected to continue to be strong, and are forecast at 630,000 MT. However, exports depend heavily on international demand from Europe and the United States and exchange rate swings. New/Post Persian and Key lime export estimates for MY 2015/16 are revised downward from previous estimates as demand was not as strong. The New/Post export estimate for MY 2014/15 remains unchanged. Italian lemon exports are expected to be about 38,000 MT for MY 2016/17. Tamaulipas, the main producer is expected to export about 30,000 MT. According to official data, Italian lemon exports under HS 0805.5099 ("others") were about 38,961 MT for MY 2014/15 and are expected to be similar for MY 2015/16.

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. 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 at U.S. $15 to $24 per 40-pound box in October/November 2016. According to exporters, a good price for Persian limes is about U.S. $40 per 40-pound box. U.S. prices for April/May 2016 were at about U.S. $50 to $60 per 40-pound box.

Lime imports continue to be minimal due to ample domestic supplies. New/Post MY 2016/17 imports are forecast at 2,500 MT. Lime imports for MY 2014/15 imports are revised at 1,641 MT.

Policy

Mexico's tariff rate on imported limes from the United States is zero percent under NAFTA. Other countries have a 20 percent duty. Lemons/Limes HS Code is 08.05.50.

Table 7: Mexico – Fresh Lemon/Lime Production

Lemons/Limes, Fresh	2014/2015		2015/2016		2016/2017	
Market Begin Year	Nov 2014		Nov 2015		Nov 2016	
Mexico	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	176000	176045	176500	180252	0	182000
Area Harvested	155000	160083	156000	163000	0	166000
Bearing Trees	43400	44823	43680	45640	0	46480
Non-Bearing Trees	5880	4469	5740	4830	0	4480
Total No. Of Trees	49280	49292	49420	50470	0	50960
Production	2260	2326	2270	2370	0	2400
Imports	2	1	2	2	0	2
Total Supply	2262	2327	2272	2372	0	2402
Exports	610	610	645	620	0	630
Fresh Dom. Consumption	1302	1357	1277	1385	0	1402
For Processing	350	360	350	367	0	370
Total Distribution	2262	2327	2272	2372	0	2402
(HECTARES) ,(1000 TREES) ,(1000 MT)						

Fresh Grapefruit

Crop Area

Area planted has fluctuated between 17,000 and 19,000 hectares in the last five years, depending on price variations and weather conditions. New/Post area planted for MY 2016/17 is forecast to increase marginally to 17,600 ha as costs of production have increased. The rate of growth in newly developed areas in Michoacán has slowed down, but yields have been good. Area planted and harvested for MY

2015/16 is revised downward from previous estimates due to weather issues and some problems with citrus greening in Veracruz that has resulted in some abandoned areas. New/Post area planted and harvested is revised upward for MY 2014/15 from previous estimates based on official data. Veracruz accounts for approximately 60 percent of Mexican grapefruit production and the state of Michoacán, with newer developments, follows with 11 percent of production, followed very closely by Tamaulipas. Nuevo Leon accounts for almost 7 percent of total grapefruit production.

The state of Veracruz has added some new planted area; however, abandoned or damaged areas in other parts of the state have offset this growth. Also, due to price fluctuations, some growers have switched to growing sugarcane. Costs of production for grapefruit fluctuate between $13,000 and $25,000 pesos per hectare (U.S. $650 to $1,250/Ha). Production costs associated with pest control tend to be higher in Veracruz than in Michoacán, but Michoacán's irrigation costs are higher than Veracruz, as almost 80 percent of Veracruz grapefruit area is rain-fed. Generally, input costs have increased due to the exchange rate fluctuations that result in higher prices for imported fertilizers, pesticides, and other agrochemical products.

Grapefruit yields for MY 2016/17 are forecast at about 26.5 MT/Ha, and MY 2015/16 yields are estimated at 27 MT/Ha, better than previously expected. Yields for MY 2014/15 are also estimated at 25 MT/Ha. Veracruz has the highest yields in the country (between 20 and 39 MT/Ha.). The state of Michoacán has yields between 9 and 15 MT/Ha. The state of Nuevo Leon generally has yields between 11 and 19 MT/Ha.

Production

There is not yet an official forecast for grapefruit production for MY 2016/17 (November/ October), but according to industry sources, production is forecast to be 432,000 MT, a marginal increase compared to MY 2015/16 production. Weather was not as dry for MY 2015/16 as the previous marketing year but there was pest presence in the growing areas of Nuevo Leon and Veracruz. Michoacán enjoys better weather conditions. New/Post production estimate for MY 2015/16 remains unchanged from previous estimates due to good yields. The production estimate for MY 2014/15 is revised downward based on official data.

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. Demand for peeled sliced fruit for export has increased, incentivizing Tamaulipas and Veracruz producers to maintain planted of white-fleshed varieties. According to growers, planting of red varieties over the last couple of years has increased because of the higher export demand.

Grower prices for grapefruit in Veracruz for MY 2015/16 were between $800 and $1,500 pesos/MT (U.S. $40 to $75/MT). Grower prices for the state of Nuevo Leon tend to be higher at about $1,600 pesos/MT (U.S. $95.12/MT) due to quality. Michoacán has developed areas with red varieties that can be harvested from April to October/November, and grower prices tend to be higher than in Veracruz as fruit enters the market earlier in the season. From May to June 2016, grower prices for grapefruit from Michoacán ranged from $2,000-$3,000 pesos/MT (U.S. $111.11 to $166.66/MT). In August, when

Veracruz begins the marketing year, prices tend to fall by as much as 50 percent. Since the processing industry is buying more fruit for peeled slices, grower prices have tended to be good.

Consumption

Fresh grapefruit consumption for MY 2016/17 is forecast at 329,000 MT due to good supplies at affordable prices. Consumption for MY 2015/16 is revised upward from previous estimates, due to more demand than expected. Consumption for MY 2014/15 is revised downwards due to a lower demand. Grapefruit is in demand as it is perceived as a low calorie (healthy) food. Growers indicate there is no quality premium as consumers are interested in lower prices.

Since Michoacán can harvest earlier than Veracruz, Michoacán producers often command higher prices in the domestic market. For 2016, Veracruz entered the market at slightly lower prices compared to Michoacán's product. Prices for Nuevo Leon fruit in November 2016 in the northern states was on average $8.00 pesos/kg (U.S. $0.40kg), compared to last year's price of $5.50 pesos/kg (U.S. $0.32kg).

Table 8: Mexico - Grapefruit Wholesale Prices (Pesos/Kg)
Cif- Mexico city

	2015		2016	
STATE	**Veracruz**	**Michoacán**	**Veracruz**	**Michoacán**
Month				
January	4.50		5.55	
February	4.73		5.68	
March	4.50		5.75	
April	4.70		6.14	
May	5.04	5.45	6.88	9.25
June		6.15		10.87
July		6.96		9.84
August		7.18		9.20
September		6.75		8.54
October		6.30		6.28
November	5.65	5.73	6.00	6.21
December	5.71		6.50	6.25*

Source: Servicio Nacional de Información de Mercados
Avr. exchange rate for 2015 US$1.00 = $ 15.85 pesos
exchange rate December 2, 2015 US$1.00 = $ 20.74 pesos
**As of first week Dec 2016*

According to growers and the industry, approximately 20 percent 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 2016/17 forecast of grapefruit destined for processing is 86,000 MT. Estimates for grapefruit processing for MY 2015/16 remain unchanged, while estimates for processing for MY 2014/15 were revised downwards.

Trade

Grapefruit exports for MY 2016/17 are forecast at 19,000 MT, an increase compared to MY 2015/16 exports, due to expected good demand. According to growers, demand from Europe is strong and offers better prices than the Unites States market. Post export estimates for MY 2015/16 are revised downward due to lower demand and estimates for MY 2014/15 remain unchanged, with strong demand from Europe. About 78 percent of exports are shipped to European countries and 12 percent to the United States. Grapefruit exports sometimes decrease when the domestic market offers higher prices.

According to industry sources, most of the imported grapefruit from the United States is processed for export to the European market or re-export to the U.S. market. Grapefruit imports for MY 2016/17 are forecast to be similar to those in MY 2015/16, around 2,000 MT, as demand from the peeled fruit industry is being covered with domestic product. Import estimates for MY 2014/15 are revised downward. The industry sources grapefruit from the domestic market all year round.

Marketing

Fresh grapefruit in Mexico is perceived as a low calorie (healthy) food and is consumed for diets as fresh and also as a fresh-squeezed juice. Grapefruit juice is sold in beverages with grapefruit and orange flavoring. There are usually no promotions in the market. Red varieties are preferred over the white varieties for fruit cocktails in hotels and restaurants.

Policy

Mexico's tariff rate on imported grapefruit from the United States is zero percent under the North American Free Trade Agreement (NAFTA). Other countries have a 20 percent duty. Most of the imports are from the United States due to the closeness of the market. The HS code is 08.05.40.

Table 9: Mexico – Fresh Grapefruit Production

Grapefruit, Fresh	2014/2015		2015/2016		2016/2017	
Market Begin Year	Nov 2014		Nov 2015		Nov 2016	
Mexico	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	18324	19359	18330	17500	0	17600
Area Harvested	16600	16964	16700	16270	0	16300
Bearing Trees	5179	5275	5210	5060	0	5069
Non-Bearing Trees	537	433	508	382	0	404
Total No. Of Trees	5716	5708	5718	5442	0	5473
Production	430	424	430	430	0	432
Imports	3	2	2	2	0	2
Total Supply	433	426	432	432	0	434
Exports	19	19	20	13	0	19
Fresh Dom. Consumption	329	323	326	333	0	329
For Processing	85	84	86	86	0	86
Total Distribution	433	426	432	432	0	434

Table 10. Mexico: Monthly Exchange Rate Averages for 2013-2016
MX Pesos per U.S. $1.00

	2013	2014	2015	2016
January	12.71	13.20	14.68	18.02
February	12.69	13.28	14.92	18.47
March	12.54	13.22	15.21	17.69
April	12.21	13.29	15.22	17.49
May	12.95	12.93	15.26	18.09
June	12.94	12.99	15.46	18.12
July	12.77	12.97	15.92	18.58
August	12.89	13.14	16.50	18.47
September	13.08	13.21	16.85	19.16
October	13.00	13.47	16.58	18.91
November	13.07	13.59	16.63	20.03
December	13.00	14.44	17.03	*20.63
Annual Avg	12.76	13.29	15.85	

*As of 1st week of December 2016

Source: Mexican Federal Register
Note: Monthly rates are averages of daily exchange rates from the Banco de Mexico