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Mexico

Tree Nuts Annual

Pecan and Macadamia Situation

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Report Highlights:
Pecan production for marketing year (MY) 2010/11 is forecast at 75,000 metric tons (MT), which is lower than MY 2009/10 due to the alternate bearing cycle of tree nuts. Pecan production for MY 2009/10 is estimated at 115,000 MT due to higher yields. The Mexican export forecast for in-shell pecans for MY 2010/11 is 59,000 MT due to reduced domestic supplies. Mexican imports for MY 2010/11 are forecast higher at 25,000 MT (in-shell). Macadamia production is stable at 1,400 MT for MY 2009/10 and remains a product for domestic consumption with little trade.

Commodities:

Pecans, Inshell Basis

Production:

Pecan production in Mexico alternates between high and low production years. MY 2010/11 will be a low production year for the nation. Although there is not yet an official forecast, pecan production for MY 2010/11 (October/September) is forecast at 75,000 MT, which is lower than MY 2009/10 production due to the alternate bearing cycle of tree nuts. Nevertheless, new trees are coming into production in MY 2010/11 and there have been continued improvements to tree-care inputs: better fertilizer applications, timely pruning, etc. that will continue to strengthen production in future years.

Production for MY2009/10 was a high production year with more trees in advanced stages of maturity that led to higher yields. According to preliminary official information, production reached 115,000 MT, an increase of 46.8 percent in comparison to the previous year. Official information for MY 2008/09, however, indicates production was 78,303 MT and lower than customary because of abnormally high temperatures in northern production areas.

The total area planted to pecan trees is forecast to reach 86,000 hectares for MY 20010/11. The majority of pecan trees are located in Chihuahua, Coahuila, Durango, Sonora, and Nuevo Leon. Currently, only farmers who have water wells on their property are planting new trees. Government officials, nevertheless, believe some producers are planting more trees than there is water available. Many farmers report successfully improving their yields and nut quality through changes in cultivation practices and increased input utilization. Pecans are harvested in Mexico from October to December. Traders advise that some organic pecan production exists, but are not able to say whether this trend is increasing nor what volume of production receives organic certification. This market differentiation, however, could gain in importance if organically produced pecans receive favorable demand.

The Secretariat of Agriculture (SAGARPA) has tried to establish several agricultural product systems with the objective of integrating marketing channels so that producers achieve better production, lower costs, and higher incomes. Particular objectives of the Pecan Product System are to encourage the integrated development of pecan production regions and to compensate for the purchase of specialized machinery for harvesting as well as for infrastructure improvements. The system allows producers a bigger share of the production and distribution cycle and should lower the costs of production and make production more profitable and attractive.

Table 1. Mexico: Pecan Production Area and Volume, MY 2008/09 – MY 2010/11

In-Shell Basis	Estimate MY 2008/09	Estimate MY 2009/10	Forecast MY 2010/11
Area Planted (Hectares)	79,450	84,509	86,000
Area Harvested (Hectares)	64,376	65,478	64,000
Production (Metric Tons)	78,303	115,000	75,000

Source: SAGARPA/SIAP

Consumption:

Domestic pecan consumption is price sensitive. When prices are low, domestic consumption increases and when prices are high, it decreases. For MY 2010/11, consumption is forecast slightly lower than MY 2009/10 due to expected higher prices. However, this ultimately depends on the volume of nuts exported. For MY 2009/10, consumption was revised upward to approximately 50,000 MT, an 11 percent increase from the previous marketing year as prices were affordable and pecans were popular during the Christmas season. In addition, demand from the domestic confectionary and baking industries was strong. Pecan consumption for MY 2008/09 was revised upward to 44,901 MT, due to higher production volumes and lower international demand.

The pecan sector continues looking for new market niches in the confectionary and baking industries. However, domestic confectionery makers, bakeries, and food processors are expected to remain the largest consumers of Mexican pecans. Wholesale market prices in Mexico for Wichita cultivar pecan nuts from production areas of Chihuahua were $120 pesos per kilogram (U.S. $9.15) in November 2009 and approximately $130 pesos per kilogram (U.S. $10.32) in March 2010. Pecan consumption for MY 2008/09 was nearly 41,965 MT, higher than expected due to stronger demand.

Trade:

NOTE: Import and export figures for pecans are based on official Mexican trade data and information from domestic traders. This information frequently differs from official U.S. trade data. Mexican HTS number for in-shell pecans is 0802.31.01 and for shelled pecans is 0802.32.01. (Conversion factor: 2 MT in-shell pecans = 1 MT shelled pecans)

The Mexican export forecast for in-shell pecans for MY 2010/11 is forecast at 59,000 MT (in-shell basis), lower than the previous marketing year due to fewer domestic supplies. The United States remains the main export market for Mexican pecans since it maintains attractive prices and offers year-round demand. As usual, the highest quality pecan nuts are exported to the United States.

The export estimate for MY 2009/10 was revised upward to 84,000 MT (in-shell basis) due to continued demand from the international market. The export estimate for MY 2008/09 was revised downward, however, from previous estimates to 59,646 MT (in-shell basis) because of weaker international market demand.

The U.S. market remains the most important for Mexican pecans; however, traders indicate that China has become a good market. Exporters reported that some pecan exports to the United States have been redirected to China and may not be considered Mexican origin.

Mexican pecan imports are forecast at 25,000 MT (in-shell) for MY 2010/11 while the import estimate for MY 2009/10 is forecast at 19,100 MT as domestic supplies offset import demand. The confectionary, bakery, and pastry industries continue to demand most pecans. In addition, traders indicate that a high volume of in-shell nuts are imported from Texas, Arizona and New Mexico on a temporary basis to Mexican area border processing plants for shelling and re-export to the United States. These temporary imports are under the IMMEX program, which is the Mexican re-export program (Decree for the Development of the Manufacturing, Maquila and Export Services Industry). Border processing plants are primarily export oriented, and they indicate that about 85 percent of what they process from the domestic market goes directly to the U.S. market with leftover pecan nuts consumed by the Mexican bakery industry.

To import in-shell pecans into Mexico, the exported product must comply with regulation NOM-044-FITO-1995, Requirements and Phytosanitary Specifications to Import Nuts, Plant Processed Products and By-products, and Dehydrated Products. The phytosanitary certificate must indicate the county and state of origin, and be approved by the Secretariat of Agriculture in Mexico. This certificate must indicate that the product is free of *Curculio caryae* (Pecan Weevil). Currently, imports are only allowed from California, Arizona, New Mexico (except Otero County), and Texas (only from the counties of El Paso, Hudspeth, Culberson, Jeff Davis and Presidio).

Traders advise that it is not easy to know the volume of nuts exported to/imported from the United States. This is because in-shell pecans are exported to the United States and then brought back into Mexico for processing and re-export as processed nuts. In addition, Mexico is importing pecan nuts from the United States for processing and export. And, Mexican processors are purchasing in-shell nuts for processing and export to the United States.

Table 2. Mexico: In-Shell and Shelled Pecan Trade for MY 2008/09, Metric Tons

In-Shell Pecan Exports To:		Pecan In-Shell Imports From:	
U.S.	10,383	U.S.	20,694

Others unlisted	1,440	Others unlisted	0
Total	11,823	Total	20,694

Shelled* Pecan Exports To:		Shelled Pecan Imports From:	
U.S.	47,810	U.S.	5,548
Others unlisted	13	Others unlisted	0
Total	47,823	Total	5,548

*Note: Shelled pecan nut data have been converted to an in-shell basis
SOURCE: Secretariat of Economy, SIAVI
http://www.siicex.gob.mx/portalSiicex/SICETECA/SICETECA.html

PRICES

The prices Mexican farmers receive for pecans correlate directly to the United States market. Generally, if supply is tight in the United States, prices will be high in the Mexican market and, as previously mentioned, domestic consumption is price sensitive.

The wholesale market price for pecans from the state of Chihuahua in December 2009 averaged 120 pesos per kilogram (USD 9.33 per kilogram), while in 2008 pecan prices averaged 110 pesos per kilogram (USD 8.20 per kilogram). Pecans from Sonora averaged 45 pesos per kilogram (USD 3.50 per kilogram) in December 2009, while they were 50 pesos per kilogram (USD 3.73 per kilogram) in December 2008.

Generally, high-quality and expensive shelled packaged pecans are bought by retail outlets (e.g. Costco, Wal-Mart, and Superama) as these stores and, often their customers, are willing to pay higher prices. Food service industry end users, such as bakeries and confectioners, buy lower quality pecans at cheaper prices.

Since the United States is the largest producer and consumer of pecans in the world and both markets are linked, prices in Mexico are the same as in the United States. Nonetheless, Mexican producers prefer selling to the export market since they receive payment on delivery and encounter cheaper shipping costs in comparison to domestic sales. As a result, Mexican growers continue selling a large percentage of their pecans for export (about 70 percent of total production) and typically only import pecans from the United States if there is increased domestic demand.

Stocks:

Since there are insufficient cold storage warehouses in Mexico, the pecan market is saturated during production (October through December) and short of pecans later in the year. Likewise, since the domestic and export market remain relatively stable, there have been no stocks carried over at the end of the marketing year.

Marketing:

Grading standards for Mexico's export shelled pecans are the same as in the United States, and companies are certified by U.S. standards and the Hazard Analysis: Critical Control Points (HACCP) program. For the domestic market, Mexico also follows U.S. standards, which adhere to Mexican Regulation NMX-FF-093-1996 – Non Industrialized Food Products for Human Consumption, Fresh Fruit, Pecan Nut. Given that the majority of pecans are distributed to bakeries, food processors, and retail outlets, a lower quality of nut is used.

U.S. tree nut exporters new to the Mexican market are encouraged to contact the following trade offices and organizations for further market information.

Table 3. Mexico: Trade Facilitation Offices and Organizations

THE U.S. AGRICULTURAL TRADE OFFICE (ATO) Garth Thorburn, Director

Liverpool No. 31 06000 Mexico, D.F. PH. (5255) 5140-2614, 5140-2671; FAX (5255) 5535-8557
ASOCIACION NACIONAL DE FABRICANTES DE CHOCOLATES, DULCES Y SIMILARES, A.C. (National Association Of Manufacturers Of Chocolates, Candy And Similars) Manuel Maria Contreras No. 133-301 Col. Cuauhtemoc, Mexico 06500, D.F. PH. (5255) 5546-1259, 5546-0974; FAX (5255) 5592-2497
CAMARA NACIONAL DE INDUSTRIA PANIFICADORA Y SIMILARES (CANAINPA) (National Chamber Of The Baking And Confectionary Industry) Dr. Liceaga No. 96 Col. Doctores, Mexico 06720, D.F. PH. (5255) 5578-9277, 5578-9288; FAX (5255) 5761-8924
CAMARA NACIONAL DE LA INDUSTRIA DE TRANSFORMACION (CANACINTRA) (National Chamber Of The Transformation Industry) San Antonio No. 256 Col. Ampliacion Napoles Mexico 03849, D.F. PH. (5255) 5563-3400, 5563-3000; FAX (5255) 5598-9467
ASOCIACION NACIONAL DE TIENDAS DE AUTOSERVICIO Y DEPARTAMENTALES, A.C. (National Association Of Supermarkets And Department Stores) Av. Horacio 1855, 6th Floor Col. Chapultepec Morales 11570 Mexico, D.F. Ph. (5255) 5580-1772; FAX (5255) 5395-2610

Commodities:

Macadamia, Inshell Basis

Production:

Macadamia production is not followed closely by Mexico's SAGARPA and, therefore, official crop production data are only available on a yearly basis through CY 2008. FAS/Mexico production estimates for MY 2008/09 do not differ much from the estimates of MY 2007/08, as growth is slow in this crop due to limited marketing channels. Production for MY 2009/10 is forecast at 1,400 MT according to previously reported data.

Macadamia is considered an exotic fruit and a non-traditional product that was established in coffee producing areas with the purpose of generating additional income for producers. In the late 1960's, the Mexican Institute for Coffee launched a diversification program and distributed macadamia trees among growers. In 1971, the Institute imported about 1,000 trees from California that were then distributed in Michoacán, Veracruz, and Chiapas. Macadamia trees developed very fast in Chiapas as 90 percent of the state's forestry was suitable and possessed adequate climate and altitude for the trees. Organic macadamia is produced in the state of Veracruz.

The most important areas planted with macadamia are in Puebla (47 percent), Chiapas (41 percent), Veracruz (4 percent), and Michoacán (4 percent). Macadamia trees flower in winter and early spring and are harvested during the summer and following winter. While the overall average yield is 1.06 metric tons/hectare, the state of Veracruz has the highest yields ranging from 3 to 5 MT/hectare, followed by Puebla and Michoacán with yields ranging between 2 and 3 MT/hectare. Explanations for the differences in yields are because of different varieties, climate, and altitude where the trees are grown.

Table 4. Mexico: Macadamia Production Area and Volume, MY 2006/07 – MY 2008/09

	Estimate MY 2006/07	Estimate MY 2007/08	Estimate MY 2008/2009	Forecast MY 2009/2010
Area Planted (Hectares)	1,518	1,405	1,400	1,400
Area Harvested (Hectares)	1,358	1,295	1,290	1,300
Production (Metric Tons)	2,491	1,379	1,373	1,400

Source: SAGARPA/SIAP

Consumption:

Most macadamia whole nuts are consumed domestically and are marketed as seasoned snacks with salt, hot pepper, sugar, and/or chocolate covering. Macadamia pieces are used in ice cream, pastries, and cookies.

Macadamia is an exotic and largely unknown fruit and consumption may benefit from greater advertising and marketing. Consumers with higher purchasing power are seen as the best customers of Macadamia nuts. The National Service of Market Information -SNIIM- http://www.economia-sniim.gob.mx/Sniim-an/e_SelAzu.asp does not follow Macadamia market prices, as the product is seasonal and marketed locally. There are few brands distributing Macadamia nuts in supermarkets.

Trade:

Macadamia is produced for domestic consumption, but a few growers have achieved export quality. Exports totaled 4 MT in MY 2007/08 (July/June) and 9 MT in MY 2008/09. One kilogram of in-shell and in-hull macadamia is used to process 500 mg of macadamia without hull. Mexican imports of macadamia for MY 2007/08 were 41 MT and 18 MT for MY 2008/09. The 6 digit HTS number for macadamia is 0802.60.

Table 5. Mexico: Macadamia Trade Data, Metric Tons

MY 2007/08 *(July-June)*

Exports To:		**Imports From:**	
U.S.	4	U.S.	1
GUATEMALA	0	GUATEMALA	38
EL SALVADOR	0	EL SALVADOR	1
OTHER	0	OTHER	1
TOTAL	4	TOTAL	41

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MY 2008/09 *(July-June)*

Exports To:		**Imports From:**	
U.S.	6	U.S.	0
GERMANY	3	GUATEMALA	18
OTHER	0	OTHER	0
TOTAL	9	TOTAL	18

SOURCE: World Trade Atlas, Mexico Edition, May 2010.

Author Defined:

Table 6. Mexico: Monthly Exchange Rate Averages for 2007-2010 in Mexican Pesos per U.S. $1.00

Month	**2007**	**2008**	**2009**	**2010**
January	10.94	10.91	13.15	12.80
February	10.99	10.77	14.55	12.95
March	11.12	10.74	14.71	12.59

April	10.98	10.52	13.41	12.23
May	10.82	10.44	13.19	12.71
June	10.83	10.33	13.47	12.72
July	10.80	10.24	13.36	12.86
August	10.50	10.10	13.00	13.15
September	10.92	10.61	13.41	N/A
October	10.92	12.56	13.24	N/A
November	10.87	12.31	13.12	N/A
December	10.84	13.40	12.85	N/A
Annual Average	**10.92**	**11.14**	**12.33**	**12.92**

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