

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY
USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT
POLICY

Required Report - public distribution

Date: 11/28/2017

GAIN Report Number: MX7057

Mexico

Avocado Annual

Avocado Production to Increase

Approved By:

Lashonda McLeod

Prepared By:

Dulce Flores

Report Highlights:

Mexican Hass avocado production is forecast to be 1.8 million metric tons (MMT) for marketing year (MY) 2017/2018 as weather conditions and phytosanitary pest control programs have boost production. Michoacán is the world leader in avocado production and accounts for 80 percent of total Mexican avocado production. Exports for MY 2017/18 are forecast to be close to 1.0 MMT. Exports to the United States are expected to continue to be strong and growing.

Commodities:

Avocados, Fresh

Production

Post's avocado production forecast for marketing year (MY) 2017/18 (July/June) is between 1.8 and 1.9 million metric tons (MMT) based on marketing intelligence. Overall production is expected to be good as weather conditions were good. Sources indicate that the implementation of phytosanitary pest control programs has helped boost production. Production estimates for MY 2016/17 are 1.7 MMT, based on official estimates. According to producers, avocado trees had an alternate-bearing low crop and hard winter rain that lowered volumes. Growers estimate a 20 percent less production compared to MY 2015/16. Production estimates for MY 2015/16 are at 1.88 MMT.

The Mexican Avocado Association of Producers and Export Packers (Asociación de Productores y Empacadores Exportadores de Aguacate de México -APEAM) is working with producers in Michoacán to invest in technological improvements to ensure that avocados are free of pests and chemical or biological residues. Michoacán is Mexico's leader in avocado production and accounts for 80 percent of total Mexican avocado production.

The majority of avocado production in Michoacán occurs in small orchards of just five to ten hectares. Many producers have implemented SAGARPA's food safety program recommendations and consider this practice and any added costs as a long-term investment. According to sources, costs of production in Michoacán vary from \$70,043 pesos/Ha (USD \$3,763/Ha) using basic technology to about \$90,000 pesos/Ha (USD \$4,836/Ha) with advanced technology that includes machinery and irrigation systems. The depreciation of the peso against the dollar keeps increasing these costs. Yields vary from 8 to 10 metric tons per hectare (MT/Ha) or more depending on the level of technology used. Producers indicate that the overall average for the last three marketing years has been 9.15 MT/Ha. However, yields for MY 2016/17 are estimated at 9 MT/Ha due to the alternate cycle.

Local newspapers have reported that there is concern about the destruction of hectares of forest due to illegal logging of trees for wood and wood products and also to convert land illegally to avocado plantings, particularly in Michoacán. Different government organizations including the Secretariat of the Environment and Natural Resources (SEMARNAT), and the National Institute of Forestry, Agriculture and Livestock Research (INIFAP) among others, have denounced this practice. Sources indicate that part of the deforestation problem is a result of the profitability of planting avocados and selling them in the international market.

The Federal Attorney for Environmental Protection (PROFEPA) has carried out operations to stop illegal logging of forests activities and illegal change of land use. APEAM has expressed its commitment to establishing an extensive reforestation program, planting more than 500,000 pines in Michoacán since 2010. They plan to have 280,000 more trees planted in 2017 and 320,000 in 2018.

Total area planted for avocados in Mexico for MY 2016/17 is estimated at 220,334 hectares (Ha), an increase of 7.3 percent over MY 2015/16 area planted. Area planted for MY 2017/18 is forecast to keep growing as growers in different states in Mexico are interested in increasing area due to good domestic

and international demand for Hass avocados. Avocado area planted estimates for MY 2015/16 are revised upward from previous estimates to 205,250 Ha according to official data.

Table 1. Mexico – Avocado Planted Area for Selected States			
States (Ha)	Estimates MY 2015/16	Forecast MY 2016/17	Percent increase
Chiapas	3,024	3,284	8.5
Guerrero	4,470	4,489	0.4
Jalisco	19,637	21,022	7.6
Michoacán	148,423	159,328	7.0
Mexico State	8,876	9,946	12.0
National Total	205,250	220,334	7.3

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 domestic consumption depends on the volume of exported product, as producers with export access prefer to send as much product as possible to higher-paying international markets. Domestic consumption for MY 2016/17 is estimated at 656,000 MT due to lower availability of product at higher prices. Consumption for MY 2017/18 is forecast to be higher over 760,000 MT due to expected higher production; however, this will depend on supply and prices. There is a grower's preference for the export market first, and then the rest is for the domestic market, as avocados are a staple food in most Mexican households. Per capita consumption according to growers is between 6.5 to 7 kg per capita because of increasing exports and higher domestic prices. Prices for MY 2016/17 began at higher levels compared to MY 2015/16 and continued very high due to lower volumes available. Domestic prices increased during June/August 2017 as the transition of marketing years resulted in lower volumes of avocado harvested, thus a lower supply of avocados were available in the market. Prices for MY 2017/18 began low and are not expected to be as high as the previous year as the domestic crop is expected to be good.

Table 2. Mexico: Avocado Wholesale Prices Mexico City MX Pesos/Kg				
	2015	2016	2017	% Change
January	16.32	16.00	26.00	62.50
February	17.18	18.67	28.25	51.31

March	19.77	18.48	33.39	80.68
April	24.28	19.68	44.82	127.74
May	25.65	30.44	53.53	75.85
June	25.60	43.27	56.44	30.43
July	25.56	44.12	60.76	37.71
August	23.12	30.48	47.67	56.39
September	19.29	29.44	38.16	29.61
October	17.16	27.08	31.96	18.02
November	15.65	28.24	32.33	N/A
December	15.52	26.64	N/A	N/A

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

2015 Exchange Rate Avg.: U.S.\$ 1.00 = \$ 15.85 pesos

2016 Exchange Rate Avg.: U.S.\$ 1.00 = \$ 18.62 pesos

November 1, 2017 exchange rate U.S. \$ 1.00 = \$ 19.14pesos

Most states grow the Hass variety due to its longer shelf life and demand for the variety in foreign markets. Other avocado varieties planted in Mexico at smaller scales are Fuerte, Criollo, Bacon, Pinkerton, Gwen, and Reed.

Fresh avocado exports continue to drive producer profitability despite the fact that other market niches are developing (for example, the extraction and export of avocado oil for the cosmetic industry). The cosmetic industry has not taken full advantage of this demand segment as there is a consumer perception that avocado byproducts are expensive. A small amount of avocado oil is sold for food use.

Trade

Traders forecast avocado exports for MY 2017/18 to increase close to 1.0 million metric tons due to expected good international demand. The depreciation of the peso against the dollar has helped international sales in general. However, according to the Global Trade Atlas (GTA), Mexico's exports for MY 2016/17 decreased 9 percent to 873,963 MT from 960,362 MT in MY 2015/16 due to weather and an alternate-bearing low crop. APEAM's data show total exports at 894,713 MT, where exports to the United States are 761,927 MT. In general, exports have been increasing due to good international demand and year-round market access to all 50 U.S. states. Also exports to Canada, Japan and European countries have increased. International prices increased during MY 2016/17 due to a lower crop and the transition of marketing years that resulted in lower volumes of avocado being harvested and consequently lower volumes of avocado exports. Avocado export for MY 2016/17 generated US\$2.5 billion dollars, whereas in MY 2015/16 exports generated US\$1.5 billion dollars. Avocado prices for MY 2017/18 for size 48s in the United States, F.O.B Texas began in July at about US\$40.50 a carton, on September it reached about US\$87.50 and by the end of October prices descended to about US\$41.50 a carton according to information from APEAM.

The United States is the top export market for avocados from Mexico, consuming between 77 and 79 percent of total exports. Japan and Canada are strategic niche markets where Japan has about 8-9 percent of the market and Canada 6-7 percent. About thirty-seven packers in Michoacán are eligible to export Mexican avocados to the United States from about three hundred. Meanwhile, other producing states have concentrated on exporting to Japan, Canada, France, and Spain.

Industry representatives indicate that processed avocado (guacamole) exports are approximately 170,000 MT per year, and products are sold to the United States, Europe, the Middle East, and Asia. Unfortunately, there is no official statistical data available. The vast majority of the export business is managed directly by packers, many of whom have significant U.S. investments. Growers in Michoacán generally sell their fruit on the spot market to a packer in terms of pesos per kilo. The harvest and associated costs (transportation, boxes, etc.) are covered by packing plants, which also supply the actual harvesting labor teams. As with other tree fruits, the main functions of the packer prior to export are to clean, sort by quality (mainly size and appearance but also dry matter sampling), and pack according to contracted specifications (labeled, bagged, boxed loose, clam shell, etc.). Generally speaking, product that does not meet contracted export specifications is sent to the domestic market.

Due to large domestic supplies of avocados, there are almost no imports of this product. Avocado imports, mainly from California, remain low. GTA data show 18 MT of imports for MY 2015/16 and none for MY 2016/17.

Table 3. Mexico Trade Matrix:

Avocado 0804.40		Unit: Metric Tons	
Exports for MY 2015/16 (July-June) to:		Imports for MY 2015/16 (July-June) from:	
U.S	742,971	U.S	18
Japan	63,944		
Canada	62,148		
Other	91,299	Other	
TOTAL	960.362	TOTAL	18
SOURCE: Global Trade Information Services, Inc. Global Trade Atlas, Mexico Edition, June 2017			

Avocado 0804.40		Unit: Metric Tons	
Exports for MY 2016/17 (July-June) to:		Imports for MY 2016/17 (July-June) from:	
U.S	668,095	U.S	0
Japan	61,716		
Canada	71,607		
Other	72,545	Other	
TOTAL	873,963	TOTAL	0
SOURCE: Global Trade Information Services, Inc. Global Trade Atlas, Mexico Edition, June 2017			

Policy

Avocado exports from all of Mexico have access to the United States, subject to compliance with the prescribed systems approach for shipping and certification. Michoacán is currently the only state in Mexico exporting Hass avocados to the United States. The state of Jalisco is working to meet certification requirements to be able to export to the U.S. market. Other avocado-producing states are active in exporting to the international market.

Tariffs

Mexican fresh Hass avocados entering the United States are not subject to any duty. However, Mexican

avocados are charged a fee of 2.5 U.S. cents per pound for the Hass Avocado Board and the Agricultural Marketing Service (AMS) for promotional purposes. The producers also pay the Association (APEAM) 5 U.S. cents per pound of exported avocados to cover USDA inspection fees. Fresh avocado imports (HS 0804.40.01) from the United States are not subject to any duty, but are subject to phytosanitary and sanitary inspections by SAGARPA.