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Mexico

Tree Nuts

Annual

2007

Approved by:

Suzanne E. Heinen
U.S. Mexico City Embassy

Prepared by:

Sal Trejo and Mark Ford

Report Highlights:

Pecan production for MY2007/08 is unchanged from our previous forecast of 75,840 MT, which is 11.6 percent over the previous year's revised estimate due to an increase in new trees coming into production. Mexico's pecan plantings for MY2007/08 are also unchanged from our previous forecast of 72,393 hectares or approximately 11.8 percent more than the previous year's plantings. Currently, only farmers with orchards that have water wells continue to plant new trees. However, most farmers rely on cultural practices and increased input utilization to improve production yields and nut quality.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Annual Report
Mexico City [MX1]
[MX]

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Executive Summary

Pecan production for MY2007/08 is unchanged from our previous forecast of 75,840 MT, which is 11.6 percent over the previous year's revised estimate. This increase is based on new trees coming into production and improved cultural practices, timely fertilizer applications, drip water irrigation systems, and pruning. However, production for MY2006/07 is revised downward from our previous estimate due to less area harvested. The production estimate for MY2005/06 remains unchanged reflecting official data.

Mexican pecan exports are forecast to increase in MY2007/08 to approximately 55,000 MT as a result of the increase in productivity and continued demand in the international market. The United States remains the main export market for Mexican pecans. The export estimate for MY2006/07 is revised downward from our previous estimate due to a continued growing demand in the domestic market. The export estimate for MY2005/06 reflects final official data.

NOTE: PS&D import and export figures are based on official Mexican trade data and information from domestic traders frequently differs from official U.S. trade data.

Production

The MY2007/08 forecast remains unchanged from our previous forecast for the same period due to projected new trees coming into production and the improvement in tree-care inputs, such as fertilizers and timely pruning. Production in MY2006/07 is expected to decline from our previous estimate since new trees were not yet in full production.

For MY2007/08, the total crop area planted to pecan trees in Mexico is currently projected at 72,393 hectares. The majority of pecan trees are located in the states of: Chihuahua, Coahuila, Durango, Sonora, and Nuevo Leon. Currently, only farmers who have water wells on their property are planting new trees. Due to scarce water supplies caused by the dry conditions in several pecan-producing states, many farmers have successfully improved production yields and nut quality through cultural practices and increased input utilization. Pecans are harvested in Mexico from October to December.

Consumption

Domestic consumption is extremely volatile and rises quickly when prices are low and falls when prices are high. For MY2007/08, consumption is expected to reach 33,140 MT due to accessible prices, general population growth, and the increasing popularity of pecans during the end of the year holiday season. Consumption for MY2006/07 is revised upward from the previous estimate, due to a stronger demand from the domestic confectionary and baking industries. Domestic confectionery, bakeries, and food processors are expected to remain the largest consumers of Mexican pecans.

Trade

The MY2007/08 Post export forecast remains unchanged from our previous forecast at 55,000 MT. Unlike the domestic market, the traditional export market of the United States maintains attractive prices and a higher demand for Mexican pecans year-round. As usual, the highest quality production will be exported to the United States.

Mexican pecan imports are forecast to increase to 12,300 MT in MY2007/08, which is 32.2 percent more than our previous forecast for the same period. This increase is due to a higher demand in the confectionary, bakery, and pastry industries. For MY2006/07, the

import estimate is also revised upward due to an increased consumption rate. In addition, there is an increase in temporary imports of in-shelled pecans to the Mexican border for shelling, which are then re-exported to the United States.

Prices

The price Mexican farmers receive for pecans directly correlates to the U.S. market. Generally, if supply is tight in the U.S. market, then prices will be high in the Mexican market. As a result, domestic consumption fluctuates depending on the price.

The average price paid by Mexican importers for shelled pecans in 2006 from the U.S. was \$6.52/kg and \$3.63/kg for in-shelled. However, this does not signify that all pecan imports were purchased at these prices. Generally, high-quality and expensive shelled packaged pecans are bought by retail outlets (Costco, Wal-Mart, and Sumesa), which are willing to pay a higher price. Industrial end users, such as bakeries and confectionaries, buy lower quality pecans at a cheaper price.

For the past two years, the U.S. has produced a sufficient supply of pecans. As a result, the export price for Mexican pecans has been lower than previous years. Nonetheless, Mexican producers prefer selling to the export market since they receive payment on delivery and cheaper shipping costs. As a result, Mexican growers continue to sell a large percentage of their pecans for export, and typically only import pecans from the United States if there is a need to meet domestic demand.

MEXICO'S SHELLED PECAN AVERAGE EXPORT PRICE TO THE UNITED STATES U.S. DOLLARS/KG

2004	5.08
2005	4.46
2006	5.27

MEXICO'S IN-SHELL PECAN AVERAGE EXPORT PRICE TO THE UNITED STATES U.S. DOLLARS/KG

2004	2.78
2005	2.51
2006	2.73

MEXICO'S SHELLED PECAN AVERAGE IMPORT PRICE FROM THE UNITED STATES U.S. DOLLARS/KG

2004	3.39
2005	4.55
2006	6.52

MEXICO'S IN-SHELL PECAN AVERAGE IMPORT PRICE FROM THE UNITED STATES U.S. DOLLARS/KG

2004	2.46
2005	3.51
2006	3.63

Stocks

Since there are insufficient cold storage warehouses in Mexico, the pecan market is saturated at production time (October through December) and short of pecans later in the year. Furthermore, there have been no stocks at the end of the marketing year because prices and both the domestic and the export market remain stable.

Marketing

The grading standards for Mexico's export shelled pecans are the same as the standards in the United States. Mexico has no domestic standards for pecans, and therefore uses U.S. pecan standards. 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 organizations for further market information.

<p>THE U.S. AGRICULTURAL TRADE OFFICE (ATO) VALERIE BROWN JONES, ACTING-DIRECTOR LIVERPOOL NO. 31 06000 MEXICO, D.F. PH. (525) 5140-2614, 5140-2671; FAX (525) 5535-8557</p>
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<p>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. CUAUHEMOC, MEXICO 06500, D.F. PH. (525) 5546-1259, 5546-0974; FAX. (525) 5592-2497</p>
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<p>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. (525) 5578-9277, 5578-9288; FAX. (525) 5761-8924</p>

<p>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. (525) 5563-3400, 5563-3000; FAX. (525) 5598-9467</p>
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<p>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. (525) 5580-1772; FAX. (525) 5395-2610</p>

Tables

PS&D, Pecans, In-Shell Basis

PSD Table									
Country	Mexico								
Commodity	Pecans, Inshell Basis						(HA)(1000 Trees)(MT)		
	2005 Revised			2006 Estimate			2007 Forecast		
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New
Market Year Begin	10/2005			10/2006			10/2007		
Area Planted	62809	62809	62809	64256	64256	64722		72393	72393
Area Harvested	60800	60800	60800	61500	61500	59840		68000	68000
Bearing Trees	3300000	3300000	3300000	3350000	3350000	3350000		3357000	3357000
Non-Bearing Trees	145000	145000	145000	148000	148000	148000		156000	156000
Total Trees	3445000	3445000	3445000	3498000	3498000	3498000		3513000	3513000
Beginning Stocks	0	0	0	0	0	0		0	0
Production	68800	68800	68800	69500	69500	67917		75840	75840
Imports	15000	15000	15000	15000	15000	18394		9300	12300
Total Supply	83800	83800	83800	84500	84500	86311		85140	88140
Exports	51800	51800	51800	52500	52500	51334		55000	55000
Domestic Consumption	32000	32000	32000	32000	32000	34977		30140	33140
Ending Stocks	0	0	0	0	0	0		0	0
Total Distribution	83800	83800	83800	84500	84500	86311		85140	88140

Trade Matrix

PECANS, IN SHELL			UNITS: Metric Tons		
Exports To:	2006	2007*	Imports From:	2006	2007*
U.S.	19,010	3,215	U.S.	17,969	9,031
Others unlisted	9,788	2,365	Others unlisted	0	0
Grand Total	28,798	5,580	Grand Total	17,969	9,031

PECANS, SHELLED			UNITS: Metric Tons		
Exports To:	2006	2007*	Imports From:	2006	2007*
U.S.	20,296	7,367	U.S.	425	226
Others not listed	2,240	1,072	Others not listed	0	0
Grand Total	22,536	8,439	Grand Total	425	226

SOURCE: U.S. Trade Data from U.S. Customs

NOTE: * indicates that figures are for January thru May.

Conversion factor used is: 2 MT in-shell pecans = 1 MT shelled pecans.

Current rate of exchange: 1 U.S. Dollar = 10.85 Pesos

**ESTIMATED PRODUCTION COST BUDGET FOR A PECAN ORCHARD IN CHIHUAHUA
FOR 2006
PESOS/HECTARE**

Land Preparation	1,260.06
Labor	1,523.28
Fertilization	367.26
Insect/Disease Control	373.24
Irrigation	1,199.52
Harvesting	2,900.14
Interest on Operating Capital	316.54
Other	343.20
Total Cost	8,283.24
Yield	1.66
Price	8,189.71
Gross Profit	13,594.92
Net Profit	5,311.68

Source: SIAP/SAGARPA – MEXICO'S SECRETARIAT OF AGRICULTURE