

Required Report: Required - Public Distribution

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Report Name: Citrus Annual

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Post: Mexico City

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Report Highlights:

Orange production in marketing year (MY) 2020/21 is forecast to partially rebound after drought decimated last year's crop by nearly 40 percent. Residual soil health effects and low producer investments in orchard rehabilitation will prohibit full production recovery. Lack of government support for drought recovery, production inputs, and pest mitigation is likely to prevent significant sector growth in the coming years. While orange consumption is forecast higher than the previous MY, it is forecasted below average levels due to ongoing effects of COVID-19 sanitary measures. The hotel, restaurant, and institutional (HRI) sector in Mexico has been greatly affected by COVID-19, with capacity restrictions still in place, and significant permanent closures have occurred. As a result, a higher percentage of fruit is expected to be sent to the processing industry.

Frozen Concentrated Orange Juice (FCOJ) 650 Brix

Production

The Post forecast for MY 2020/21 FCOJ production is 200,000 MT, an increase of 122 percent from the previous marketing year, on a rebound in fresh orange supplies from Veracruz.

Fresh Juice

Contacts indicate there is an increasing demand for fresh juice in both Mexico and the United States. As FCOJ demand decreases and prices drop, many producers are looking to invest in fresh juice production capacity. While switching from frozen concentrated to fresh production is not difficult, delivery logistics presents a challenge to widespread expansion. Fresh orange juice requires sophisticated and expensive refrigeration equipment for storage and transport. Additionally, the volume of product needed for the fresh product is much higher than FCOJ. In Veracruz, a large juice company built containers capable of storing up to 20 million liters of fresh juice to have availability all year round.

By-Product

Juice processing companies also produce essential oils for the disinfectant and perfume industry. Orange peel is used to obtain pectin, which has many applications in the food and baking industry. Additionally, orange peel and pith are often given to the livestock sector for feed.

Consumption

The Post consumption forecast for MY 2020/21 is 6,000 MT, 48 percent higher than the previous MY, due to increased supplies. However, decreased demand from the HRI sector during ongoing Covid-19 sanitary measures will keep levels below average. Final FCOJ consumption will depend on the reactivation of the HRI sector, which remains highly uncertain at this time. Industry reports that optimal stock levels are approximately 2,000 MT, as a certain amount is needed for blending during the production process.

Trade

The Post export forecast for MY 2020/21 is 195,000 MT, due to higher production and strong demand from the United States, the main market for FCOJ exports from Mexico. Mexico imports a small amount of orange juice for supermarkets or small processors. The Post forecast for MY 2020/21 imports is 1,000 MT.

Based on a 2011 agreement, Mexico may export 8,000 MT of FCOJ to Japan under a reduced five percent tariff (the most favored nation tariff is 20 percent). Mexico may also export 30,000 MT of FCOJ to the European Union at a reduced tariff of 15 percent based on the Mexico-EU free trade agreement. However, the U.S. market is viewed as more lucrative and preferred by Mexican exporters. HS codes for FCOJ are 2009.11, 2009.12, and 2009.19.

Table 4: Frozen Concentrated Orange Juice PSD

Orange Juice	2018/2019		2019/2020		2020/2021	
Market Year Begins	Nov-18		Nov-19		Nov-20	
Mexico	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Deliv. To Processors (MT)	1,950,000	2,200,000	1,955,000	900,000	1,955,000	2,000,000
Beginning Stocks (MT)	2,000	2,000	5,317	20,000	5,317	2,000
Production (MT)	195,000	220,000	195,500	90,000	195,500	200,000
Imports (MT)	853	1,000	860	850	860	1,000
Total Supply (MT)	197,853	223,000	201,677	110,850	201,677	203,000
Exports (MT)	183,536	195,000	190,577	104,850	190,577	195,000
Domestic Consumption (MT)	9,000	8,000	9,100	4,000	9,100	6,000
Ending Stocks (MT)	5,317	20,000	2,000	2,000	2,000	2,000
Total Distribution (MT)	197,853	223,000	201,677	110,850	201,677	203,000