

AVOCADOS FROM MEXICO

A Trade Analysis

Agenda

- Meeting Mexico's Comparative Advantage
- Touching Upon Trade Barriers
- Diving into the Data
- Connecting Current Events



Mexican Avocado

Comparative Advantage from Factor Endowment (H-O)

- Culture and history
 - Mesoamerican tribes and colonization
- Climate
- Land endowment: Michoacán
- Strong export market



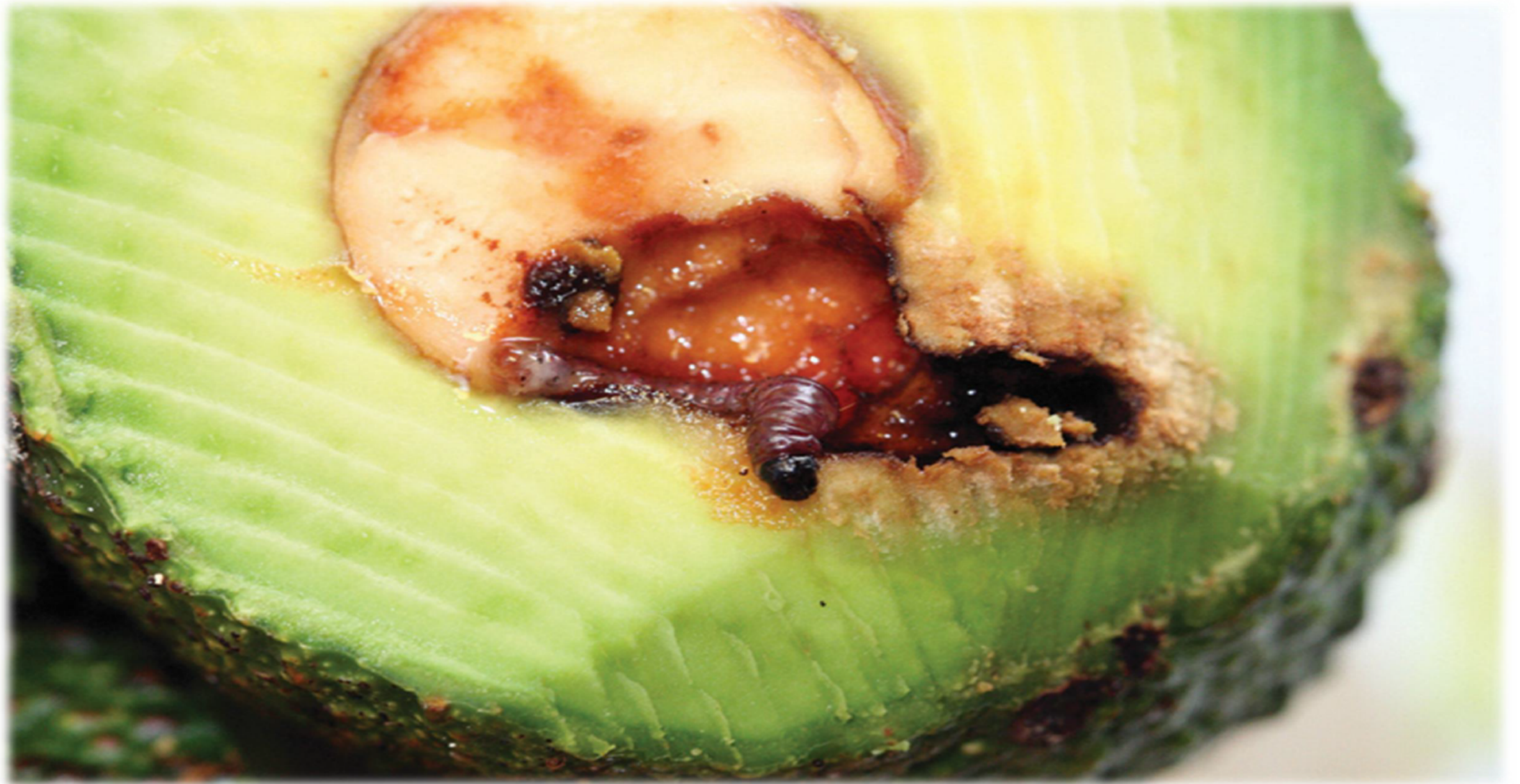




Phytosanitary Restriction: A type of Technical Trade Barrier

- 1914: US imposes phytosanitary restrictions on fresh avocado
- 1997: APHIS (United States Animal and Plant Health Inspection Service) allows the importation of the Mexican avocado





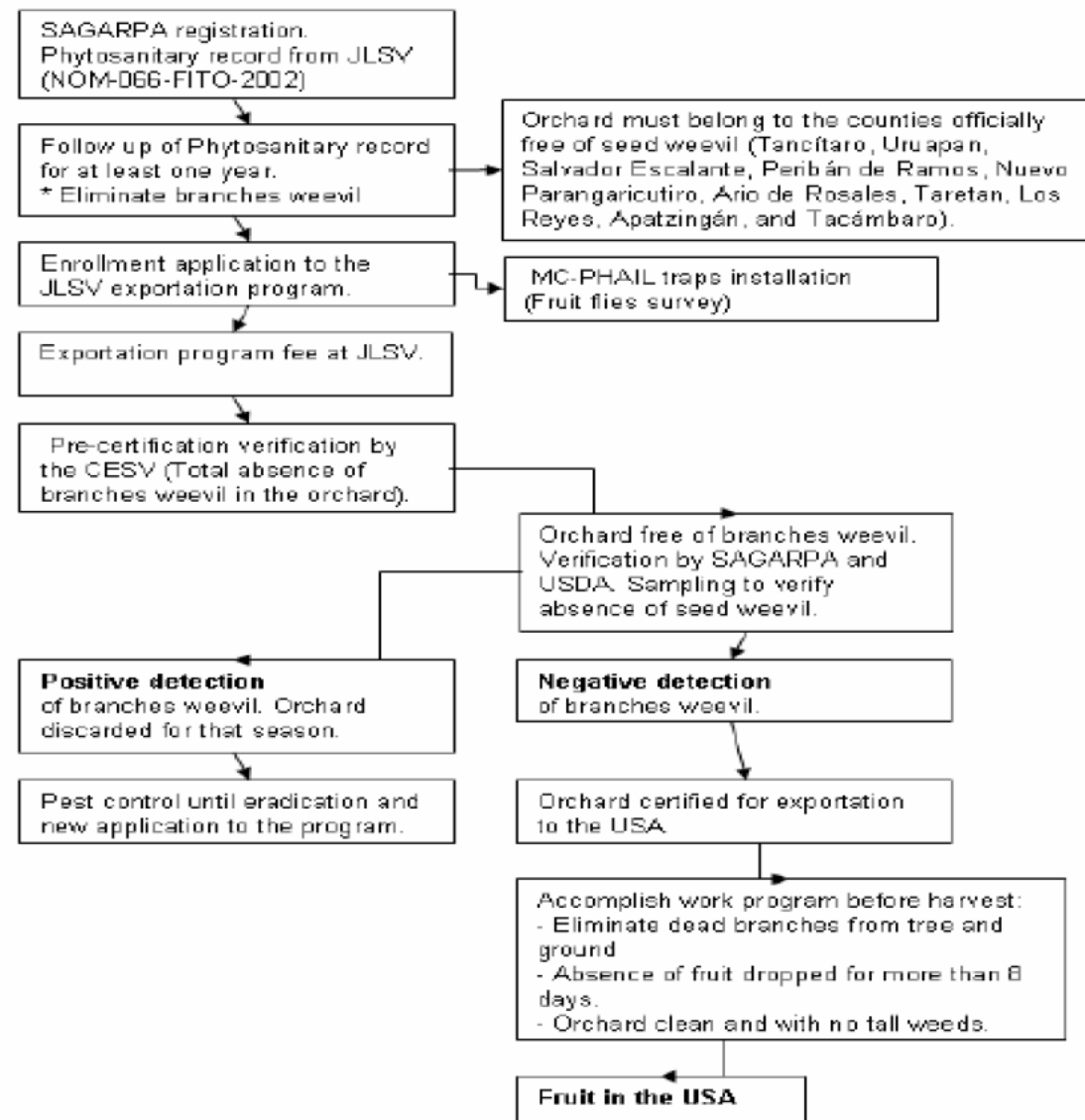


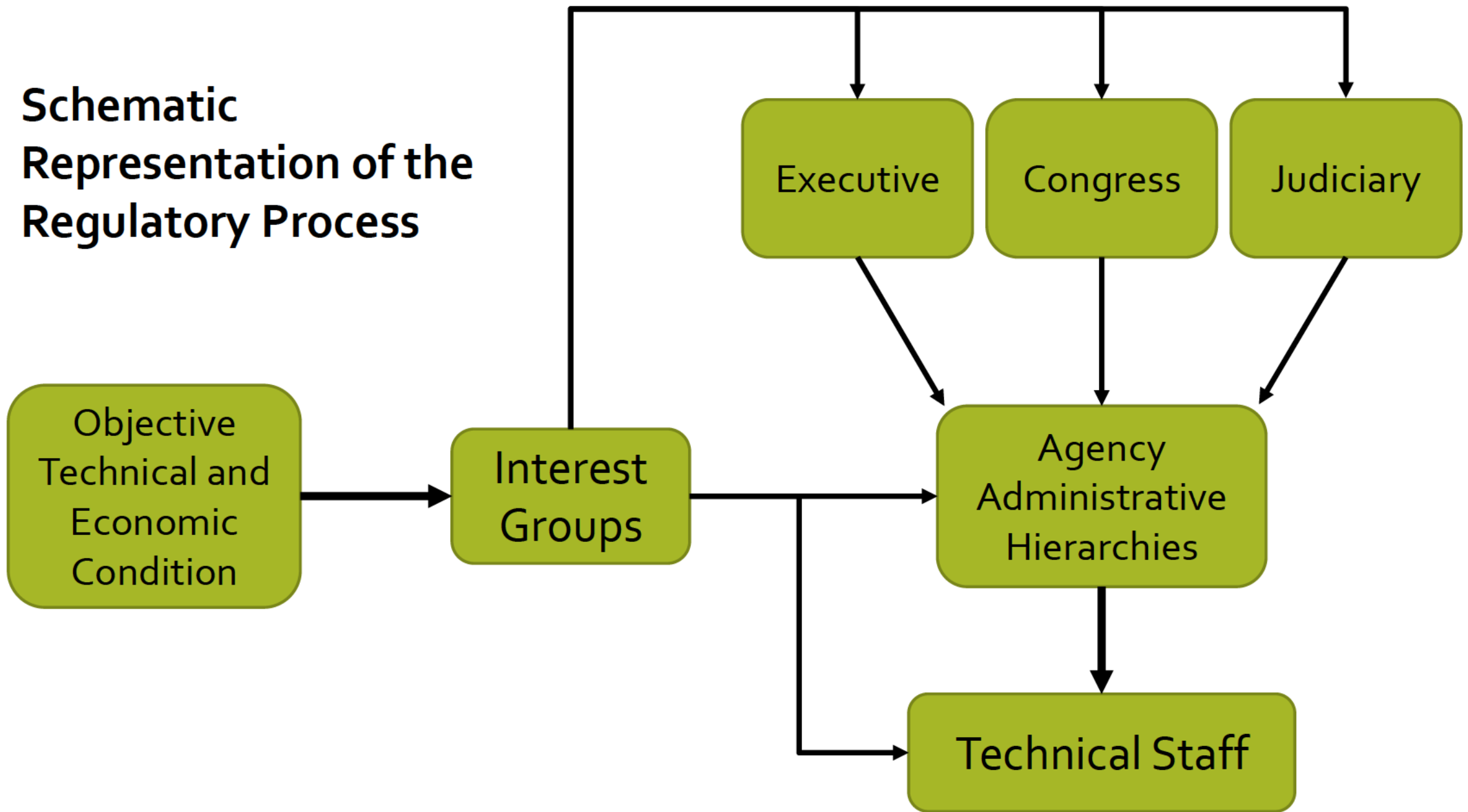
Figure 2. Steps to certify and avocado orchard for the USA exportation program.

Tariffs

- Before NAFTA: general tariff of 13.2 cents per kilogram on avocados.
- 1995: Reduced to 11.22 cents per kilogram over a 6-year period
- Tariff phased out completely by 2003



Schematic Representation of the Regulatory Process

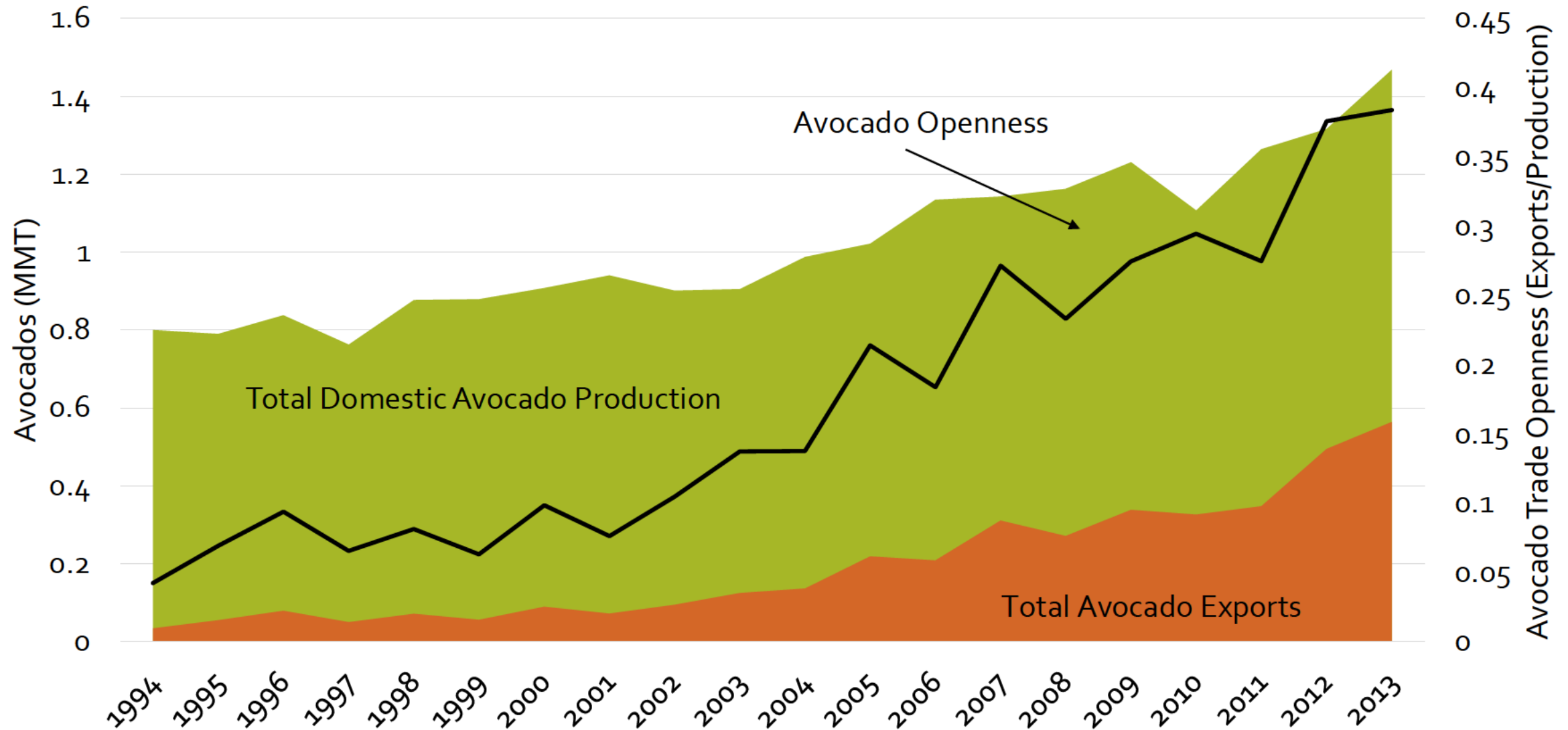


NTB!

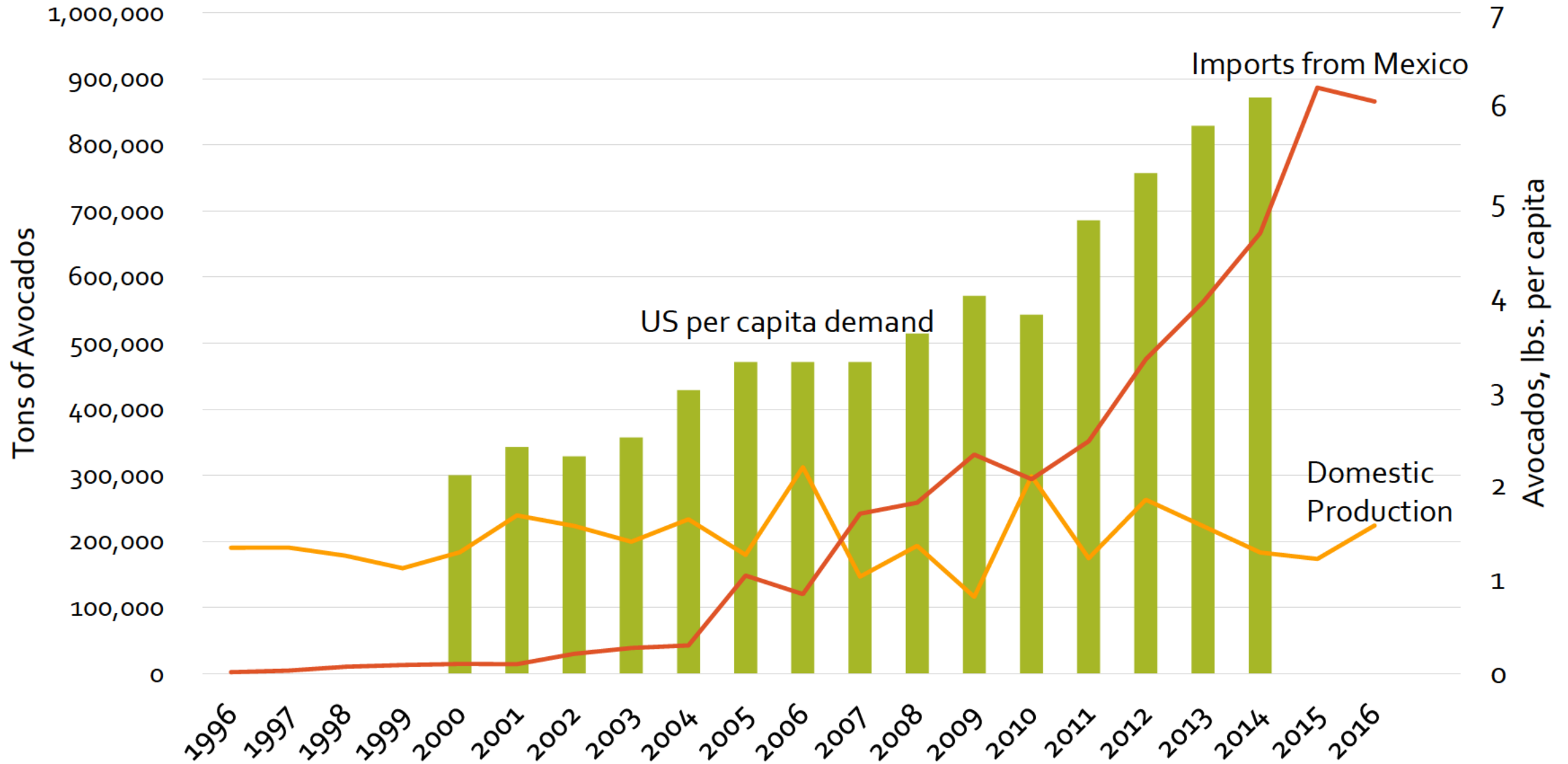
- 2011: the Knights Templar cartel gains prominence
- Fee for every box of avocados, cuts from fertilizer and pesticide sales, forcing farmers to turn over the titles to their land
- Estimated annual tax of \$60 per acre
- "Autodefensas"



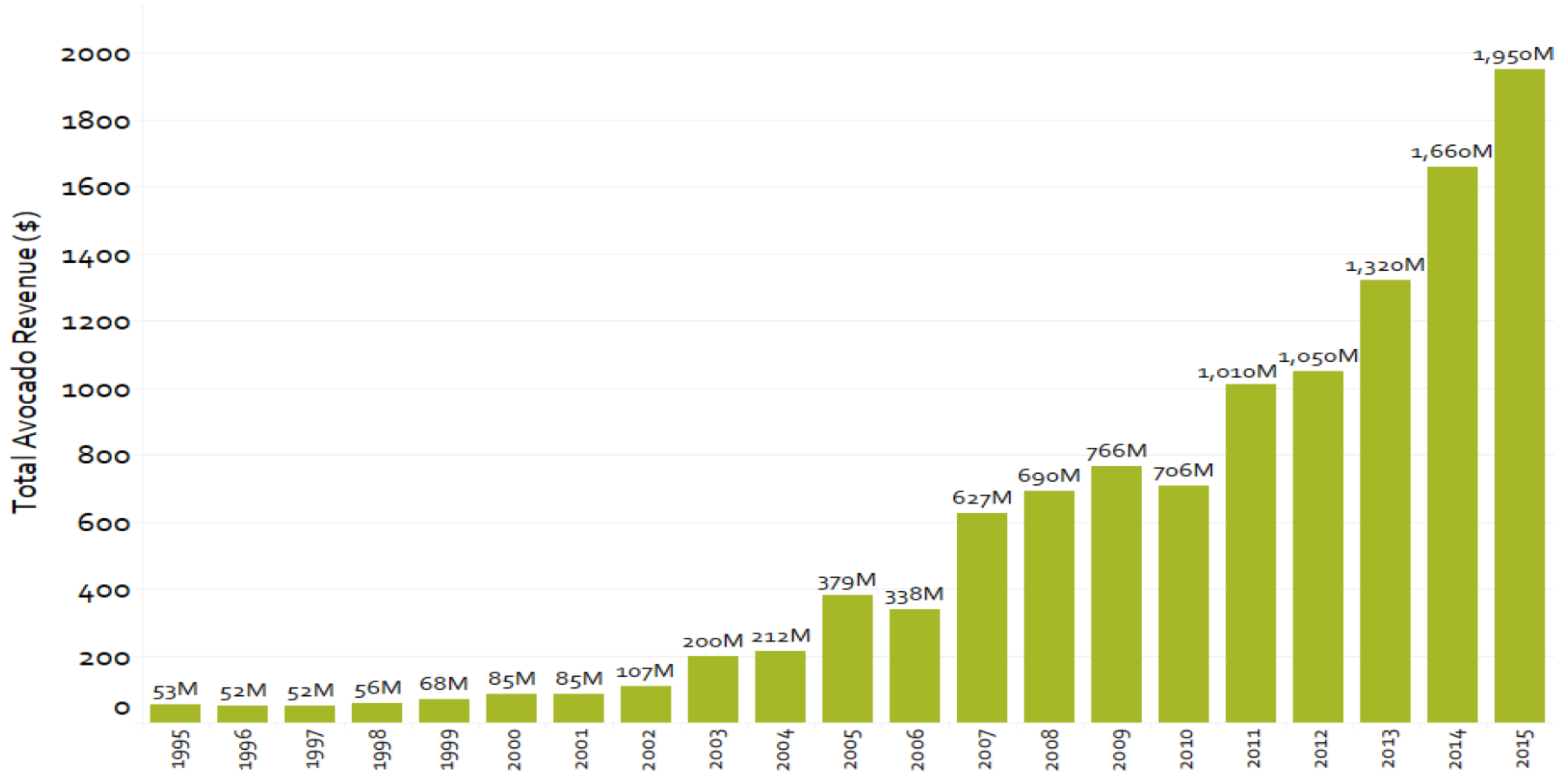
Mexican Avocado Production & Trade Openness



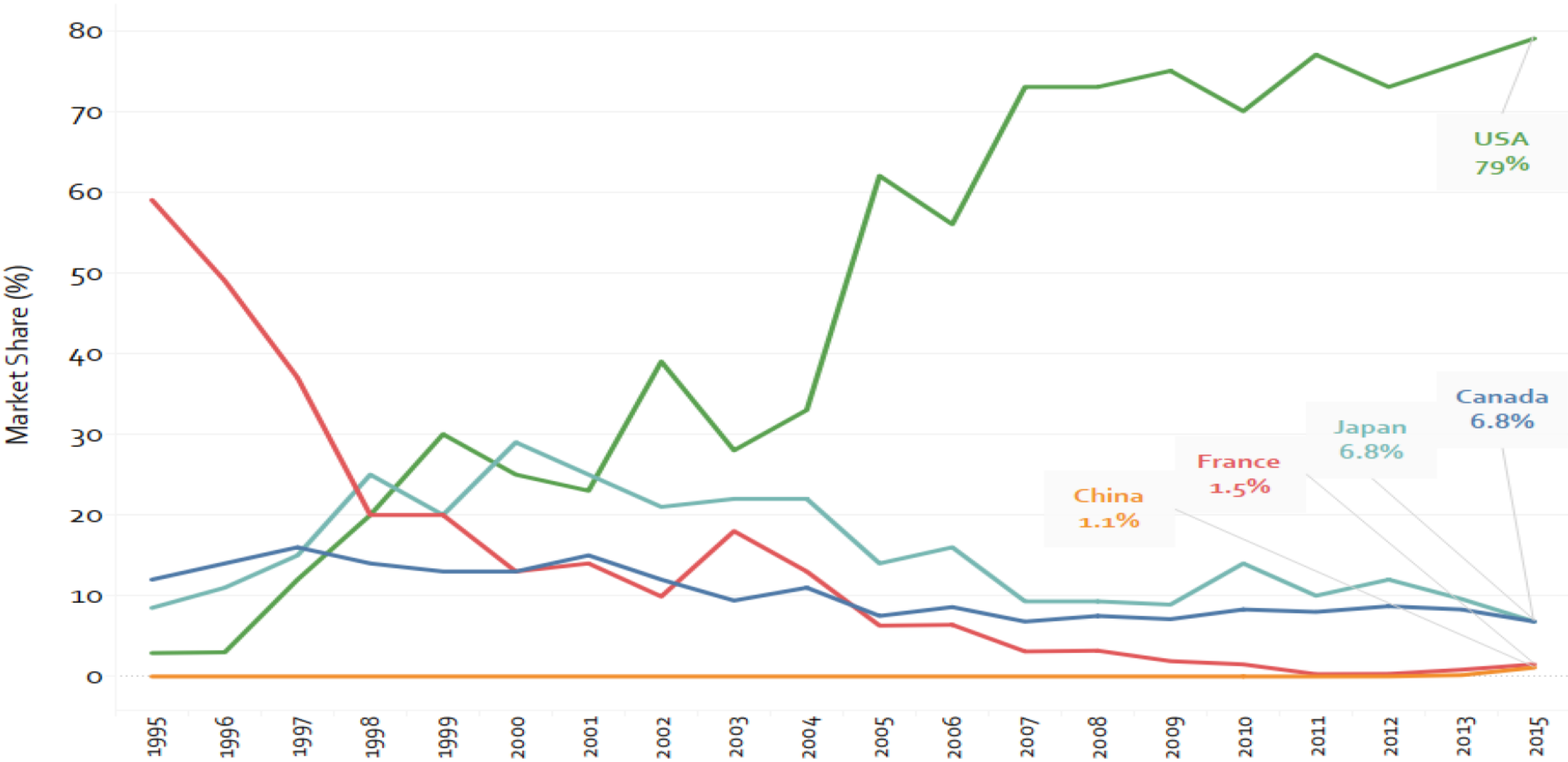
US Avocado Market



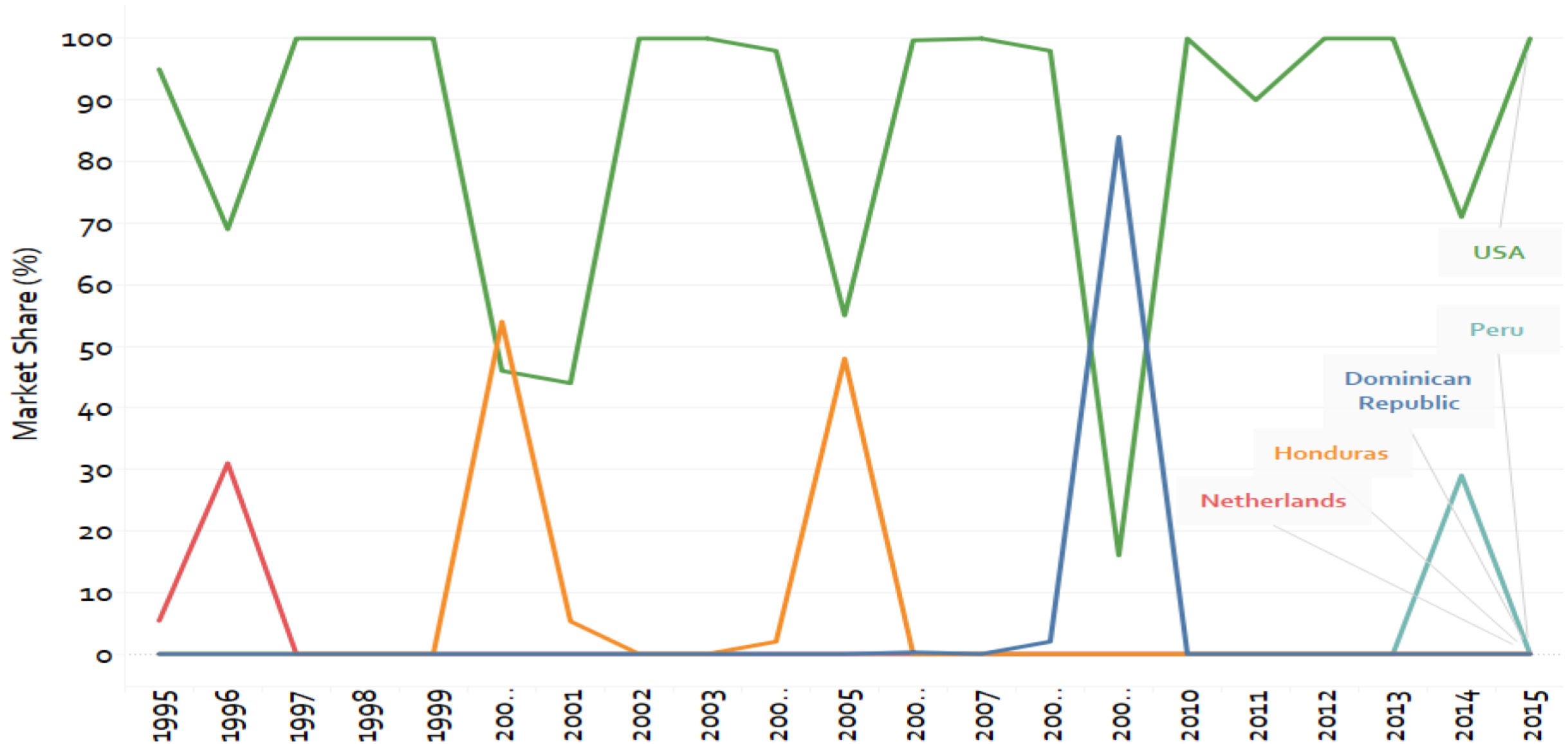
Mexico's Total Avocado Export Revenue



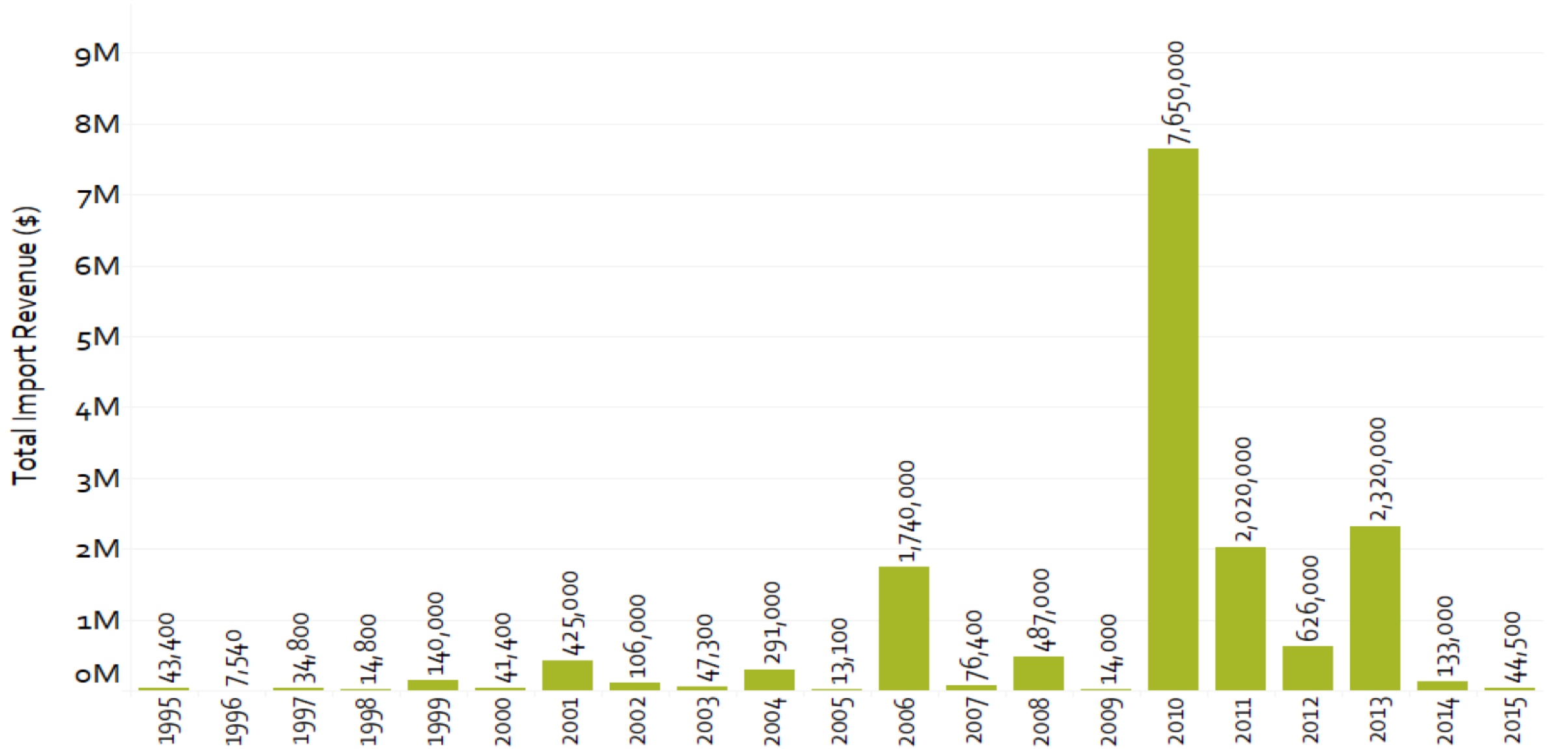
Mexico's Avocado Export Market Share



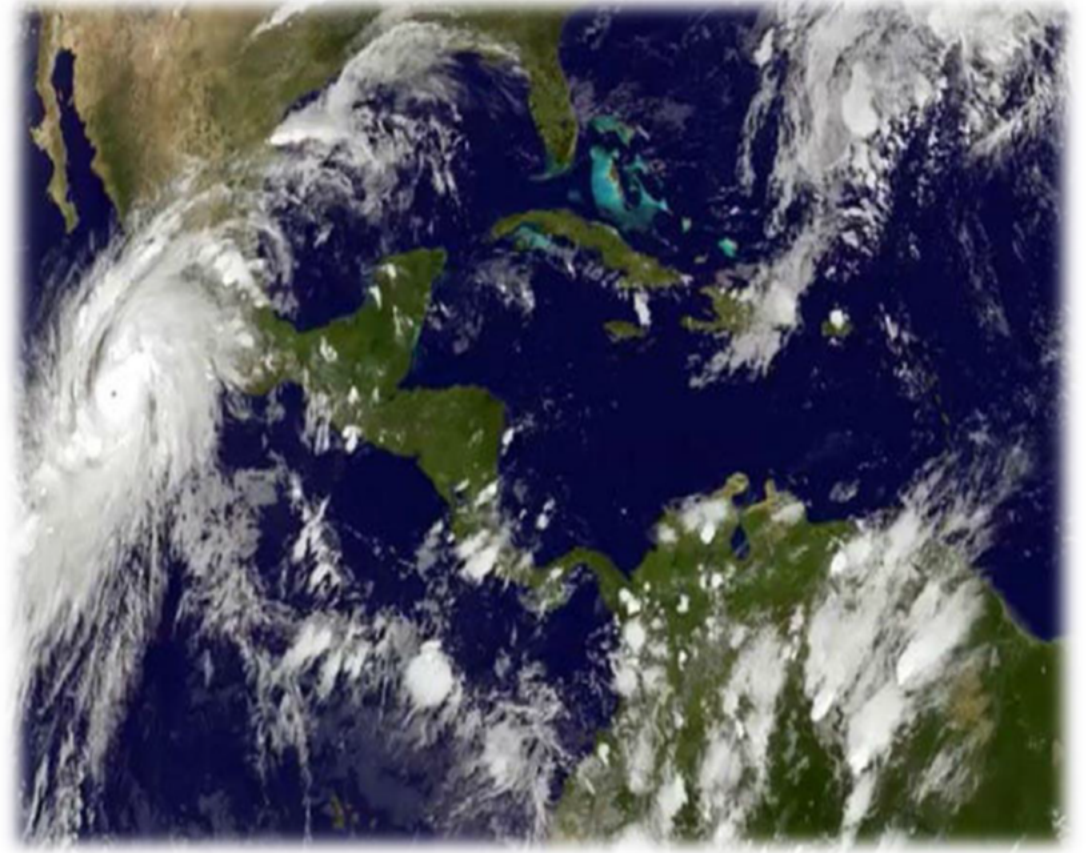
Mexico's Avocado Import Market Share



Mexico's Import Avocado Total Revenue



Hurricanes







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Mexican-American Standoff

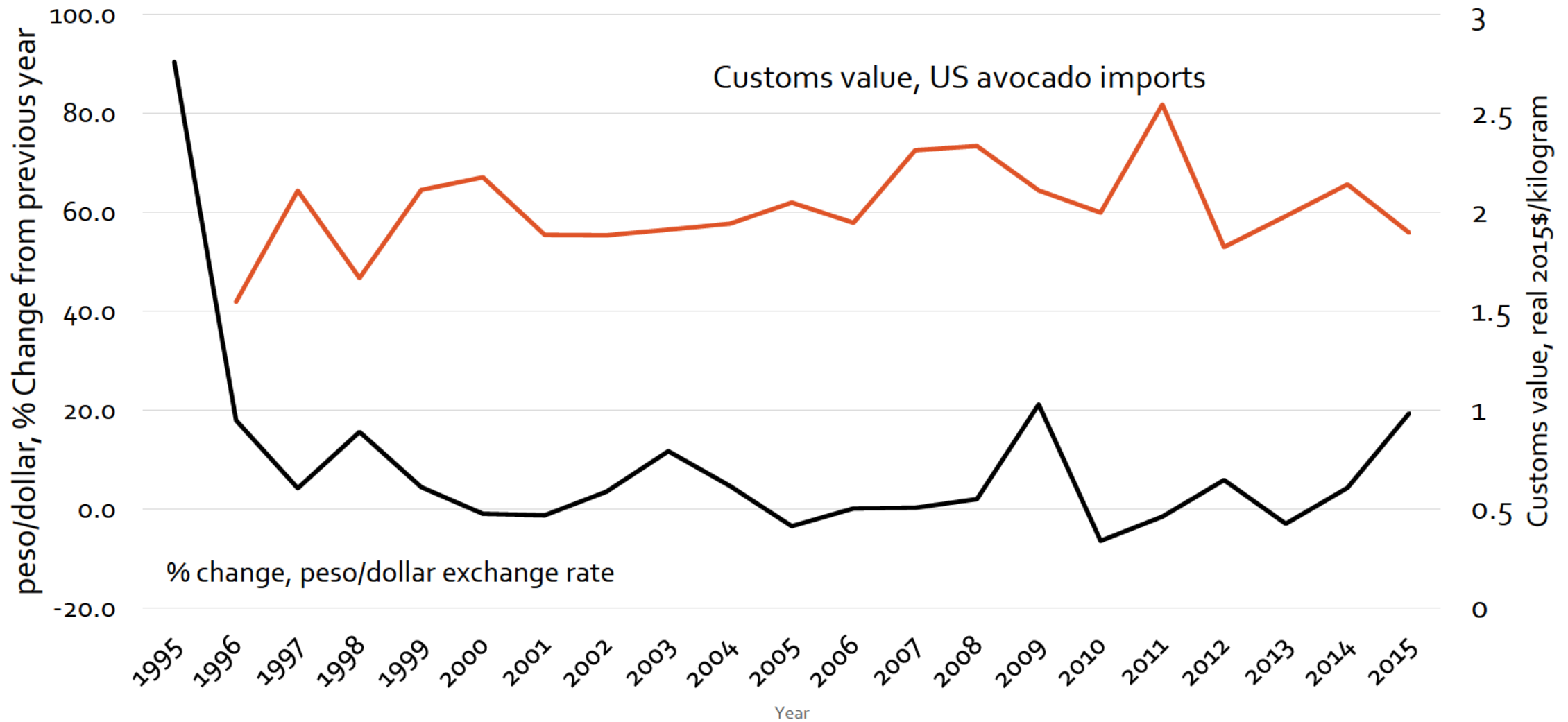
- “Any agreement that is proposed that infringes or endangers Mexico’s social and economic interests and which harm the dignity of our nation will be unacceptable.”
-Ildenfonso Guajardo
- Currently in trade talks with China, Brazil, Argentina and the EU.
- Future planning with the potential termination of NAFTA.

Current Events With Avocados

- Trumps proposed 20% flat tariff on imported goods which would include Avocados
- Don't Fear! Only taxes the dutiable value of Avocados
 - Whole Sale Price: \$0.50
 - Large transportation and inventory costs is what causes avocados to become pricey.



Mexico / U.S. Foreign Exchange Rate Fluctuations & the Customs Value of US Avocado Imports from Mexico



Ongoing Dispute with Costa Rica



- Costa Rica banned imports of Hass Avocados from Mexico in 2015, citing the danger of “sunblotch” virus.
- Mexico previously supplied about 70% of the avocados consumed in Costa Rica.
- In March 2017, Mexico filed a WTO complaint against Costa Rica, with whom Mexico has signed an FTA.

Current Demand for Avocados

- Demand is obviously increasing.
- 4 year from planting to production
- Super Bowl Ad
- “There is no other country on planet Earth that can give you enough avocados to cover the U.S. — we’re not going to abandon this market regardless of whatever happens.”

-Alvaro Luque



Efforts to Increase Demand

- Hass Avocado Promotion, Research, and Information Act of 2000
 - Effective after 2002 referendum of US producers and importers
 - 2.5 cent assessment per pound on domestic & imported Hass avocados
- Avocados from Mexico
 - Joint venture between MHAIA & APEAM
 - Advertisements in US, Japan



Avocados from Mexico

- Avocados are a truly homegrown export industry with major growth potential.
- Mexico has consistently had to battle major non-tariff barriers to continue expanding their avocado exports.
- Global avocado demand continues to grow, with Mexico poised to capture more and more market share.



Questions?

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