U.S. Imports of Mexican Tangerines*

Florida fresh tangerines, as well as other Florida fresh citrus, compete with Mexican fresh tangerines in the U.S. market. Increased competition in the U.S. tangerine market is expected with the phasing-out of the U.S. tariff on Mexican fresh tangerines under NAFTA. The purpose of this report is to provide background information on Mexico's tangerine industry in order to assess Mexico's competitive position in the U.S. market. The tangerine situation in Mexico is reviewed, and the past trend in U.S. imports of Mexican fresh tangerines is discussed.

Mexico's Tangerine Production Base

During the 1980's, Mexico's citrus industry suffered from the same freezes that devastated the Florida citrus industry. Based on USDA Foreign Agricultural Service (FAS) reports, Mexican tangerine tree planting levels, as reflected by the non-bearing tree population, were relatively high following the mid-1980 freezes, and then decreased in the late 1980's before leveling off in the 1990's (Figure 1). The non-bearing tangerine tree population was over 3 million trees from 1985-86 to 1988-89 and then decreased to about 1 million trees in the last three seasons (1992-93 through 1994-95). As the non-bearing tree population matured, the bearing tree population increased from 2.2 million trees in 1985-86 to 3.7 million in 1989-90; in the last three seasons the bearing (total) tree population has been relatively level at 3.4 (4.5) million trees.

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Mexico Tangerine Production and Utilization

With an increase in its tree population, Mexico's production of tangerines increased from 2.9 million boxes in 1985-86 to 4.1 million boxes in 1994-95, as reported by USDA-FAS (Table 1). Production has been relatively flat in the last six seasons, with the tree population leveling off.

Most of Mexico's tangerines are utilized fresh in the Mexican domestic market. In the last three seasons, 85% to 87% of Mexico's tangerines have been consumed fresh in the domestic market. Processed utilization normally accounts for about 10% of the crop. Fresh exports account for the remainder.

Fresh exports increased from 162,000 boxes in 1985-86 to 325,000 boxes in 1988-89, and then decreased to 93,000 boxes in 1993-94 and 1994-95. Most of Mexico's fresh exports of tangerines are destined for the U.S., and the decrease in Mexico's fresh exports appears to be related to the increased Florida tangerine shipments to the U.S. market and decreased prices for fresh tangerines.

Florida Fresh Tangerine Shipments and U.S. Imports of Mexican Fresh Tangerines

Florida tangerine shipments to the U.S. market increased from .7 million boxes in 1989-90 (a freeze season) to 2.7 and 2.3 million boxes in 1993-94 and 1994-95, respectively (Table 2). With increased Florida fresh tangerine shipments, the Florida FOB price for tangerines decreased from $16.39 per carton in 1989-90 to $13.17 per carton in 1994-95, roughly a 20% decrease. The U.S. general price level, as measured by the consumer price index (CPI), increased 16.9% over this period; hence, the inflation-adjusted price of Florida fresh tangerines decreased by 31.3%.

With Florida fresh tangerine shipments increasing and prices decreasing, U.S. imports of Mexican fresh tangerines decreased from 273,600 boxes in 1989-90 to 98,800 boxes in 1994-95, a 63.9% decline, as reported by U.S. Department Commerce. (For some seasons, the U.S. Department of Commerce import data in Table 2 are not consistent with the previous USDA-FAS data on Mexico's fresh tangerine exports shown in Table 1; the USDA-FAS data are unofficial.) U.S. imports of Mexican fresh tangerines as a percentage of Florida fresh tangerine shipments to the U.S. market has declined from 39.8% in the 1989-90 freeze season to 3.3% in 1993-94 and 4.3% in 1994-95.

Expected Changes Under NAFTA

Under NAFTA, the U.S. tariff on Mexican fresh tangerines imported from October through April will decline from 47.5¢ per carton in 1993 to zero in 2003; from May through September, the phaseout is quicker, reaching zero by 1998. The tariff of 47.5¢ represents 5.8% (3.6%) of the 1994-95 Mexican (Florida) FOB tangerine price of $8.16 ($13.17) per carton. The Mexican FOB price is a net price defined as the price in the U.S. for Mexican product minus the tariff and transportation costs. Hence, based on the current Mexican FOB price, elimination of the tariff would result in a relatively modest increase of 5.8% in the net price received by Mexico.

Mexican net export price increases, by themselves, can be expected to stimulate Mexican exports of fresh tangerines to the U.S. However, as indicated above, the net price increases resulting from NAFTA would not be large, based on current or recent price levels; and, based on recent patterns between prices and imports, the net price increases would not be expected to cause U.S. imports of Mexican fresh tangerines to increase sharply above recent historical levels.

The Mexican net price for fresh tangerines exported to the U.S. will also be affected by changes in the exchange rate. This year the peso was devalued from about three pesos per dollar to six pesos per dollar. The devaluation effectively increases the price that Mexico receives for its tangerine exports to the U.S., as each dollar obtained by Mexico from its export business translates into twice as many pesos after the devaluation. This increase in the peso price for exports can be expected to affect how Mexico allocates its fresh tangerines between its domestic and export markets. If the peso price for fresh tangerines in Mexico's domestic market were to remain at the same level as before the devaluation, the export price (translated into more pesos after the devaluation) would increase relative to the domestic price, and Mexico would have an incentive to reallocate tangerines from its domestic market to the U.S. market. In the longer run, increases in the peso price for fresh tangerines in the Mexican domestic market, as result of growth in consumer incomes and general inflation pressure, could be expected to reduce the devaluation-induced incentive to export tangerines to the U.S.

In assessing Mexico's competitive position in the U.S. tangerine market, we also need to keep in mind that Florida's tangerine production levels are projected to increase substantially in the upcoming ten years (Table 3), based on the 1994 Florida citrus tree census. With increased Florida production, fresh tangerine shipments to the U.S. market can be expected to increase, which, in turn, can be expected to continue to put downward pressure on prices. To the extent prices remain low, it will be less profitable for Mexico to export tangerines to the U.S.

Summary and Conclusions

Mexico's tangerine production base, as reflected by its tree population, has been relatively stable in recent years. This production base has resulted in tangerine crop sizes of around 4 million boxes. Assuming normal yields and a stable Mexican tangerine tree population, Mexican tangerine production levels can be expected to continue to be around the 4 million box level in the next several years.

Most of Mexico's tangerine production has been utilized fresh in the Mexican domestic market, and this trend is expected to generally continue in the next several years. U.S. import levels of Mexican fresh tangerines are relatively small and have been decreasing as Florida tangerine production levels have been increasing.

The NAFTA phaseout of the tariff can be expected to stimulate U.S. imports of Mexican fresh tangerines, but, since the tariff is relatively small, the increase in imports may not be large. Mexican tangerine exports to the U.S. may also increase as a result of the devaluation of the peso. These stimulants will be tempered by the expected increases in Florida's tangerine crops and its fresh shipments to the U.S. market in the upcoming years, which are expected to continue to put downward pressure on tangerine prices.

Overall, the Mexican tangerine situation will require close attention. Mexico has the potential to expand its tangerine production and exports to the U.S. The elimination of the tariff under NAFTA increases Mexico's incentive to do so.

Figure 1.

MEXICO'S TANGERINE TREE POPULATION

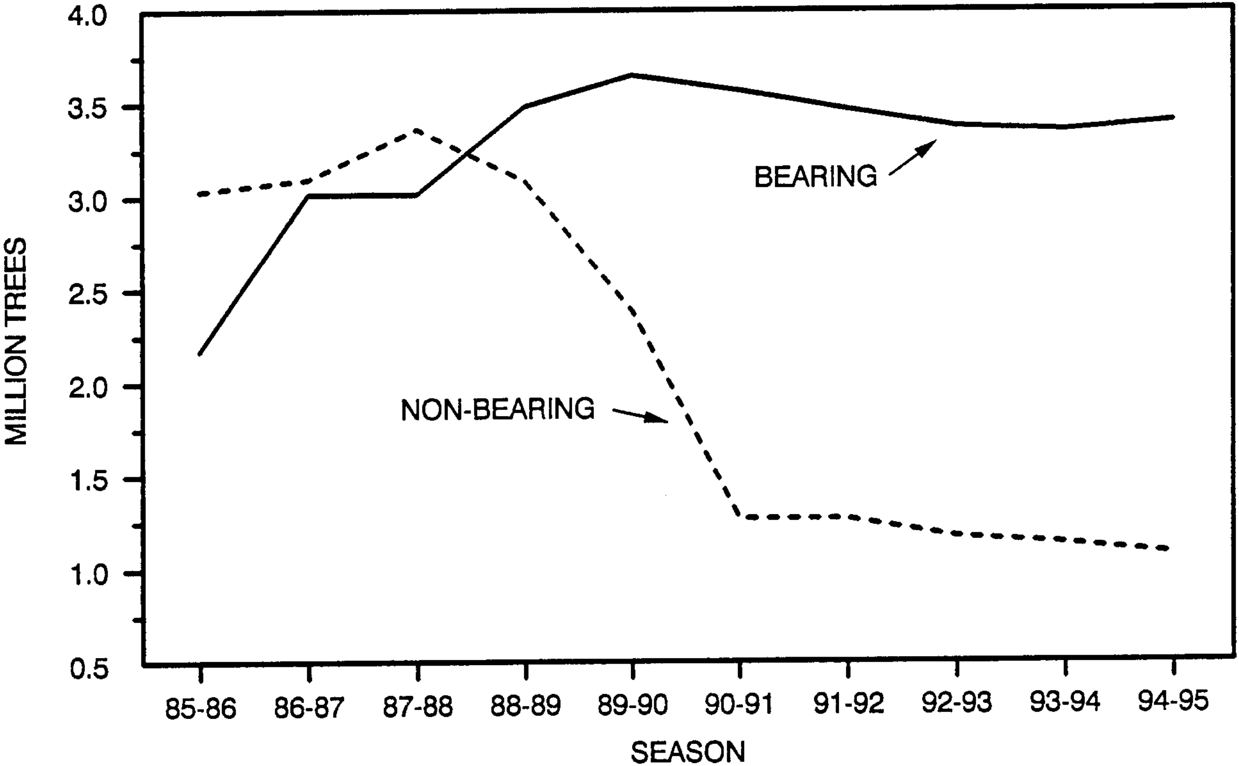

Table 1. Mexican tangerine tree population, production and utilization.

Season	Trees			Production	Utilization		
	Bearing	Non-bearing	Total		Fresh Domestic	Exports	Processed
	- - - - - - 1,000 trees - - - - - -			- - - - - - - - - - 1,000 boxes - - - - - - - - - -			
1985-86	2,170	3,030	5,200	2,854	2,413	162	278
1986-87	3,010	3,090	6,100	3,040	2,622	186	232
1987-88	3,010	3,360	6,370	3,504	2,947	209	348
1988-89	3,482	3,080	6,562	3,643	2,947	325	371
1989-90	3,650	2,380	6,030	3,922	3,319	232	371
1990-91	3,565	1,265	4,830	3,945	3,342	186	418
1991-92	3,465	1,265	4,730	3,829	3,133	278	418
1992-93	3,370	1,170	4,540	4,293	3,667	209	418
1993-94	3,350	1,135	4,485	3,829	3,319	93	418
1994-95	3,400	1,080	4,480	4,061	3,504	93	464

SOURCE: Foreign Agricultural Service, USDA, various attache reports.

Table 2. Florida domestic tangerine shipments and U.S. imports of Mexican tangerines.

Season	Florida Domestic Shipments	U.S. Imports from Mexico[a]	Mexico Percent of Florida	Florida FOB Price[b]	Mexico FOB Price[a]
	- - 1,000 95-lb. boxes - -		- % -	- - - - $ per carton - - - -	
1977-78	1,988.1	139.4	7.0	6.02	4.97
1978-79	2,501.3	447.9	17.9	6.59	4.90
1979-80	3,299.1	439.7	13.3	6.66	5.06
1980-81	1,954.3	276.8	14.2	7.45	5.70
1981-82	1,589.2	455.2	28.6	8.25	5.70
1982-83	1,876.2	201.1	10.7	9.42	3.42
1983-84	1,603.0	383.9	24.0	8.60	3.79
1984-85	855.2	138.1	16.1	15.91	4.67
1985-86	1,095.3	131.7	12.0	14.01	3.91
1986-87	1,330.6	172.2	12.9	12.54	4.95
1987-88	1,418.6	312.4	22.0	13.17	4.69
1988-89	1,442.6	303.3	21.0	13.89	5.00
1989-90	687.2	273.6	39.8	16.39	5.78
1990-91	831.0	260.7	31.4	17.88	8.35
1991-92	1,706.6	198.5	11.6	16.95	8.71
1992-93	1,817.8	184.1	10.1	14.31	10.09
1993-94	2,673.5	87.9	3.3	12.12	8.68
1994-95[c]	2,305.5	98.8	4.3	13.17	8.16

[a]U.S. Department of Commerce data.

[b]Citrus Administrative Committee price.

[c]1994-95 domestic shipments through 7/9/95; Mexican imports through 5/95.

Table 3. Estimated Florida tangerine production.

Season	Tangerines
	- - million boxes - -
1995-96	3.90
1996-97	4.36
1997-98	4.81
1998-99	5.24
1999-00	5.66
2000-01	6.05
2001-02	6.42
2002-03	6.77
2003-04	7.09
2004-05	7.38

SOURCE: Economic and Market Research Department, Florida Department of Citrus, *Florida Citrus Production Trends, 1995-96 Through 2004-05*, CIR-94-1, October 1994.