

Lime Oils from Mexico

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The information in this report is a combination of data extracted from official government reports and a compendium of information we collected, weighted, and analyzed from canvassing industry sources.

Fruit Production

The traditional areas of Mexican lime production are Colima, Michoacan, Guerrero, and Oaxaca located on the southwestern coast of Mexico. On the southeastern coast we find mainly production of Persian lime in Tamaulipas and Veracruz.

Today the most important regions for Mexican lime production are Oaxaca, Michoacan, and Colima. Together they account for approximately 70-80% of the total production of Mexican lime oil. The Colima region is the most productive and is where you will find some of the best maintained lime groves and the most modern processing plants.

Traditionally lime trees were inter-planted with other tree crops such as coconuts and bananas; however, in Colima the trend is changing. More and more lime trees are now planted as a single crop. These new plantations take

advantage of more modern agronomic practices. Increased tree density and irrigation systems are common in these new plantations.

These new agronomic practices should help in stabilizing the supply of fresh fruit. This is evident by comparing this year's production in the states of Colima and Oaxaca. In Colima, where many lime plantations have irrigation systems, the crop is expected to be of average size notwithstanding nine months of dry weather. On the other hand, Oaxaca is experiencing a delay in fruit maturity as a result of the dry conditions. According to several industry sources, the improvement of agronomic practices should result in greater fruit availability in the upcoming years.

Fruit Processing

There are several products generated from lime processing. These are: distilled oil, expressed oil type "A", expressed oil type "B", essence oil, dry peel, wet peel, cloudy lime juice, and clarified lime juice.

Not all processing plants have the capacity of producing all the products mentioned above. As a matter of fact, many

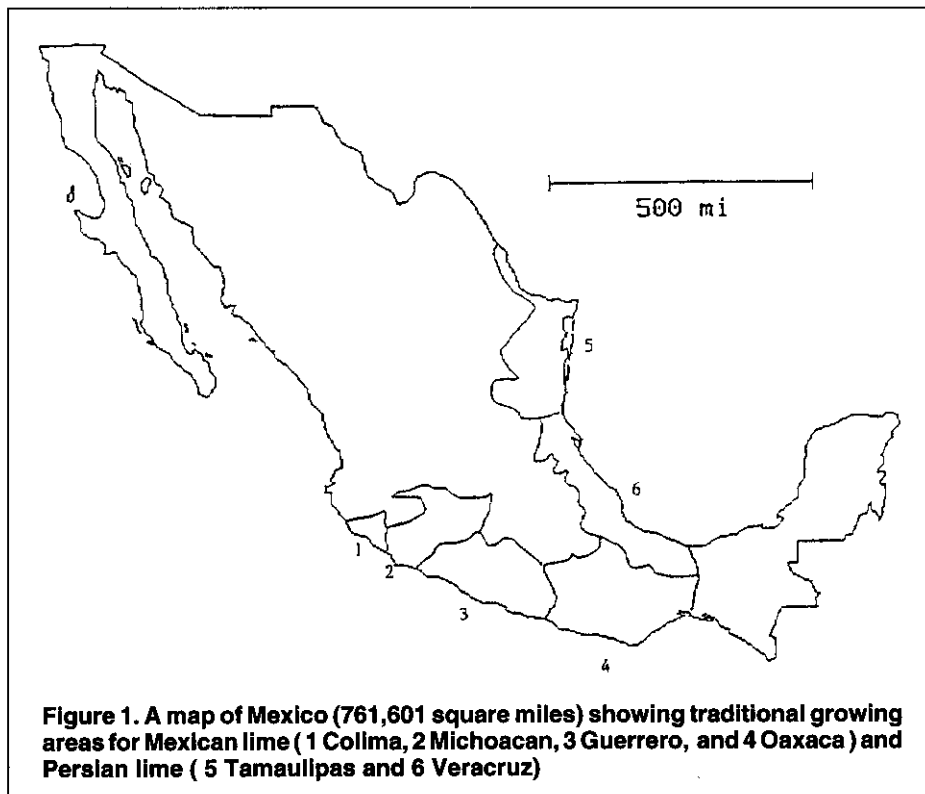


Figure 1. A map of Mexico (761,601 square miles) showing traditional growing areas for Mexican lime (1 Colima, 2 Michoacan, 3 Guerrero, and 4 Oaxaca) and Persian lime (5 Tamaulipas and 6 Veracruz)

"old style" plants are set up to produce only distilled oil, wet peel, and sometimes expressed oil type "A". Clearly, these operations are not as efficient as modern plants, and will find it difficult to stay economically viable. Of the dozen processing plants in the region of Colima, on a recent visit I saw only a few running. Those are the more efficient plants that squeeze every penny (or centavo if you prefer) out of the fruit. The "old style" plants will resume processing as the season progresses if and when fresh fruit becomes more competitive.

Crop and Prices

The price of Mexican lime oils is strongly affected not only by the fruit prices, but also by the price that the processor can obtain for the by-products. For instance, both the fresh fruit market and the pectin market are now positively influencing the price of the oils. The market for fresh fruit consumption is strong as usual and is putting increased pressure on fruit prices. On the other hand, the market for pectin made from wet or dry peel remains depressed with worldwide demand lagging far behind production capacity. The net effect of these two factors is putting positive pressure on the price of Mexican lime oils. Another effect on the price of the oils is the increased competition from the Peruvian producers, and the increased crop size in Mexico. Recent average prices and quantity imported into the U.S.A. are approximately as follows: 2,350 drums in 1991 at US\$6.75 per pound; 2,200 drums in 1992 at US\$8.20 per pound; and 1,850 drums in 1993 at US\$6.40 per pound. We think the most likely scenario for the 1994 season will be:

Fresh fruit for consumption

in the price range of \$161 per MT;

Fresh fruit for processing

in the price range of \$60 to \$66 per MT
(most likely price \$60 per MT);

Crop size 3,000 drums;

Distilled lime oil

at \$7.90 to \$8.25 per pound (most likely price \$8.00);

Expressed lime oil type "A"

in the price range of \$10.00 to \$11.00 per pound
(most likely price \$10.50);

Expressed lime oil type "B"

in the price range of \$11.00 to \$12.00 per pound
(most likely price \$11.25);

Wet peel

in the price range of \$60 per MT;

Dry peel

in the price range of \$550 to \$660 per MT
(most likely price \$600 per MT).

Conclusions

We believe that this year Mexican lime oil production will reach 3,000 drums. No stock seems to be available in Mexico from last year's production; however, some plants are already turning out a substantial amount of product. Barring any unexpected disaster, we view the prices of the various oils firming up with minimal chances of decline.

Reference

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