

Overview of the Citrus Industry in Mexico

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SHERATON
SAND KEY RESORT

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There are few official sources of information, regarding crop volumes, exports / imports and incumbents



Even official and trustworthy sources have conflicting information



This presentation is built upon best data selection, industry studies and internal analysis



Our intention is to provide a directionally correct account of the industry dynamics



Meeting Agenda

- **Company Introduction**
- Overview of Mexico
- Citrus Production
- Orange
- Lemon & Lime
- HLB

Grupo Proeza is a privately owned corporation, founded since 1959 with focus on long term sustainable growth



Significant Sales

\$ US\$ +2.8 Billion
2015

Solid Group of Collaborators

 14,400

Global Footprint

 Presence in
16 countries

Participation in 5 Industry Sectors



We offer autoparts and tools for embossing, assembling and inspection, to the international automotive market.



International company with more than 50 years in the market. We are committed to the production and processing of citrus fruits and tropical fruits.



It's an institution that offers basic and specialized health care services. We offer a kind and efficient service every of our patients need.



Astrum Satelital is a leader in the Mexican market of technology and high communication since 1976.



Our mission is to develop communities and bring a better life quality of its habitants.

Overview

- Agro-industrial business with **58 years of experience** in the citrus industry.
- **Grow citrus fruits & processes** a broad portfolio of citrus and some tropical fruits.
- We **sell to ~30 countries** across 5 continents
- CITROFRUT **is the largest player of the citrus** industry in Mexico:
 - 5 processing plants
 - 1 distribution center in the USA.
 - 16,000 acres of citrus groves
 - 1 nursery (700k tree output)
 - 1 laboratory for analysis (Tristeza / HLB)

Product Portfolio



Orange



Tangerine



Grapefruit



Lime



Mango



Guava



Lemon

Product Presentations

- Juices (FC / NFC)
- Purees
- Pulp Cells
- Special products (Oils, aromas, peel)

Product Specifications

- Frozen
- Organic
- Aseptic
- Unpasteurized



Note:* Equivalent to 90lbs boxes



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Mexico a Country of Beauty, Riches and Hard working individuals

Beauty

Privileged Coastline



Unique Architecture



Lively Colors



Riches

Acclaimed Culture



Traditions



Exquisite Cuisine



& Hard Work

Industrial



Creative



Laborious



Mexico, a young country with a privileged location, a growing population and robust economy

Population



- **12th largest country by population**, with ~125 million inhabitants
- **27 years** is the average age in Mexican population
- Population **growing ~2x** the speed of the US (1.2% vs 0.7%)

Geography



- **14th largest territory worldwide**, total area is nearly 2 million Km²
- Mexico's privileged geographic location functions as a **bridge between North and Latin America**

Economy



- **2nd largest economy** in Latin America and **14th** in the world
- **8th largest economy globally by 2050** according to Economist Int. Unit
- **15th largest exporter** worldwide
- Represents **66% of all exports** in Latin America

Doing business with Mexico



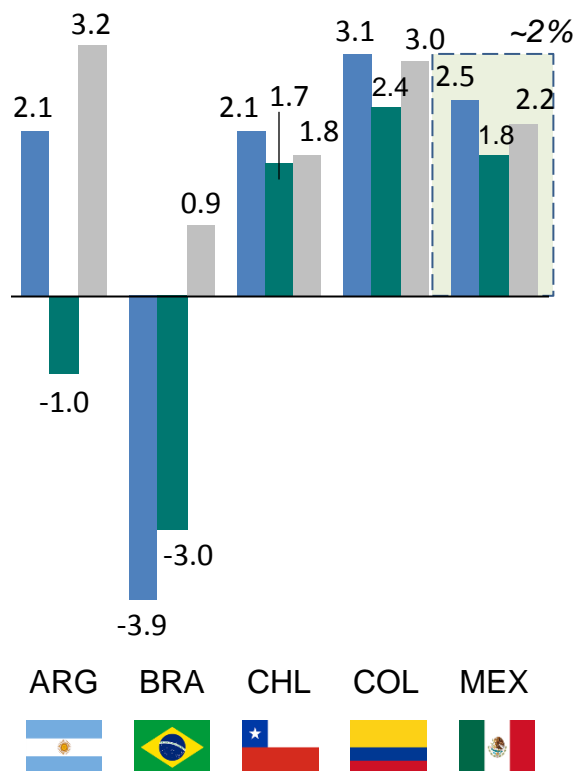
- Mexico has the **most Free Trade Agreements** in the world (45 countries)
- **9th most attractive and reliable country** to invest (United Nations Conference on Trade and Development)
- **1st destination for foreign direct investment** among countries in Latin American

In spite of the commodity crisis and China's deceleration, Mexico has maintained stability vs. Lat. Am. peers

■ 2015 ■ 2016 ■ 2017

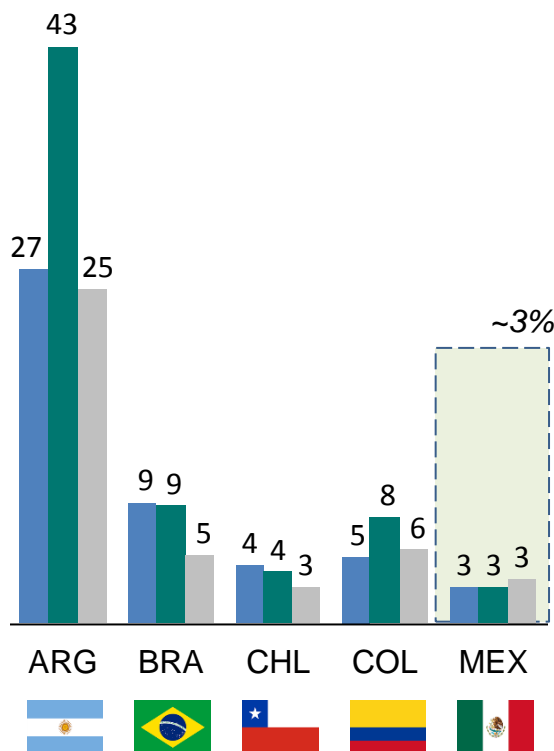
Low but positive and steady growths in GDP

GDP growth projections (%)



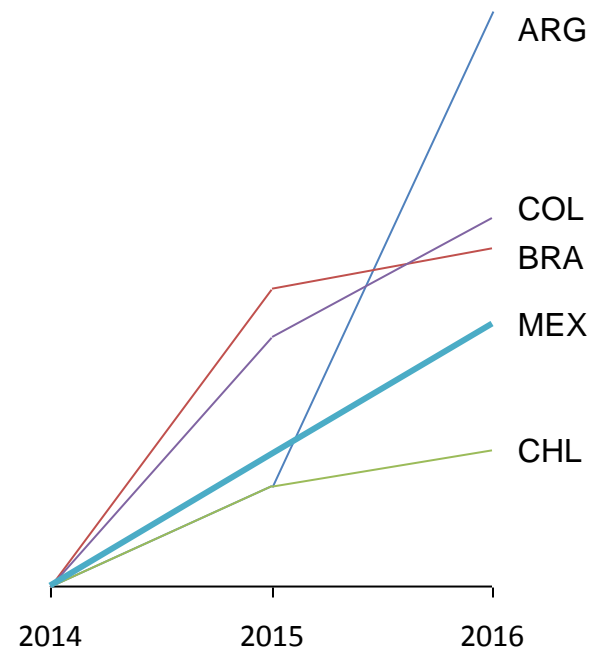
Consumer Price changes in historic low levels during the last decade

Consumer price index change (%)



Mexican Peso among the most stable currencies in Latin America

Average Exchange Rate LCU/USD (2014 = 100)





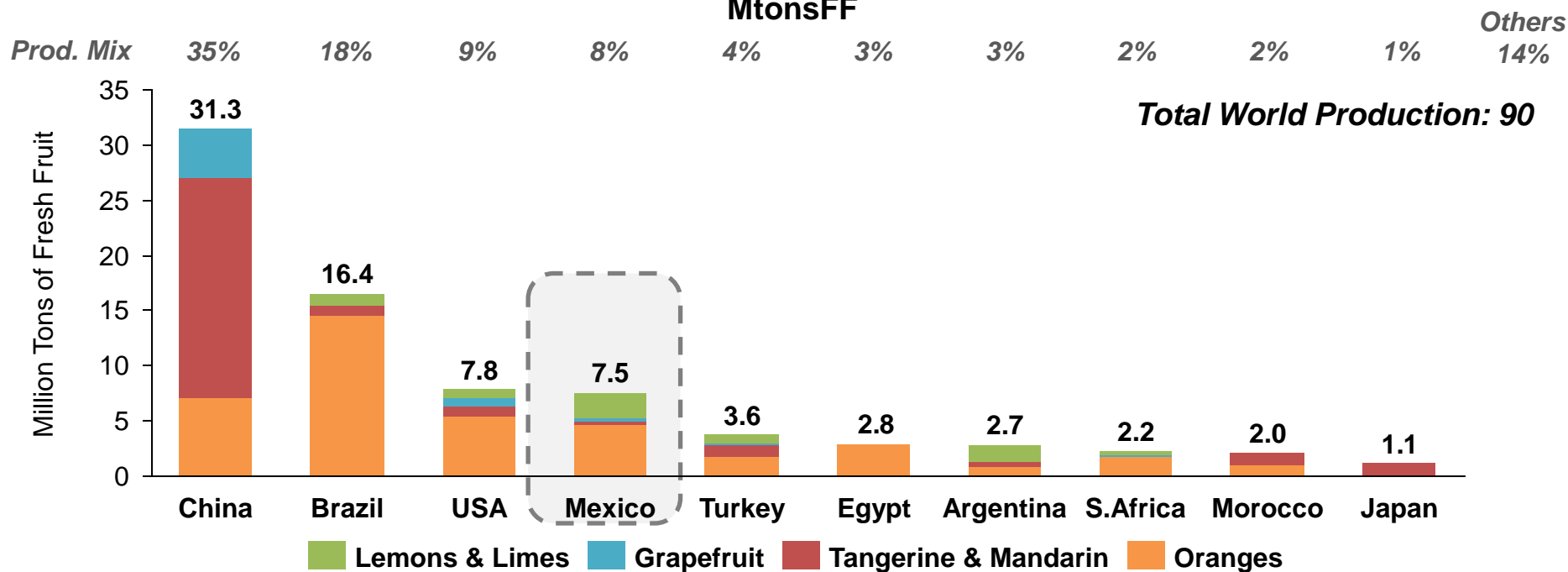
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Mexico is the 4th largest citrus producer in the world with ~8% of total production



2015/2016 Citrus World Production¹ - Top 10
MtonsFF



Total World Production: 90

Orange

7.0 14.4 5.4 4.5 1.7 2.8 0.8 1.6 0.9

Tangerine

20.0 0.9 0.9 0.3 1.0 0.4 1.1 1.1

L & Limes

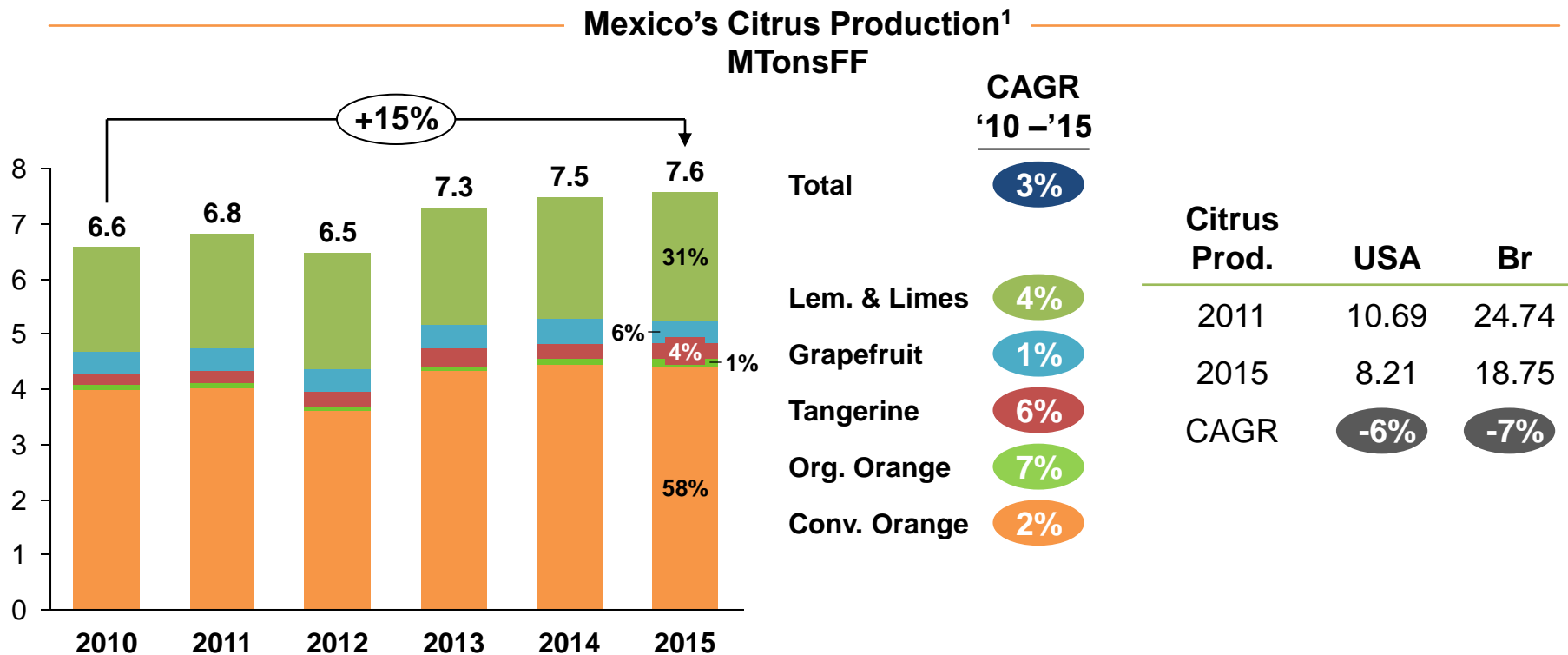
1.1 0.8 2.3 0.7 1.5 0.3

Grapefrt.

4.3 0.7 0.4 0.2 0.3

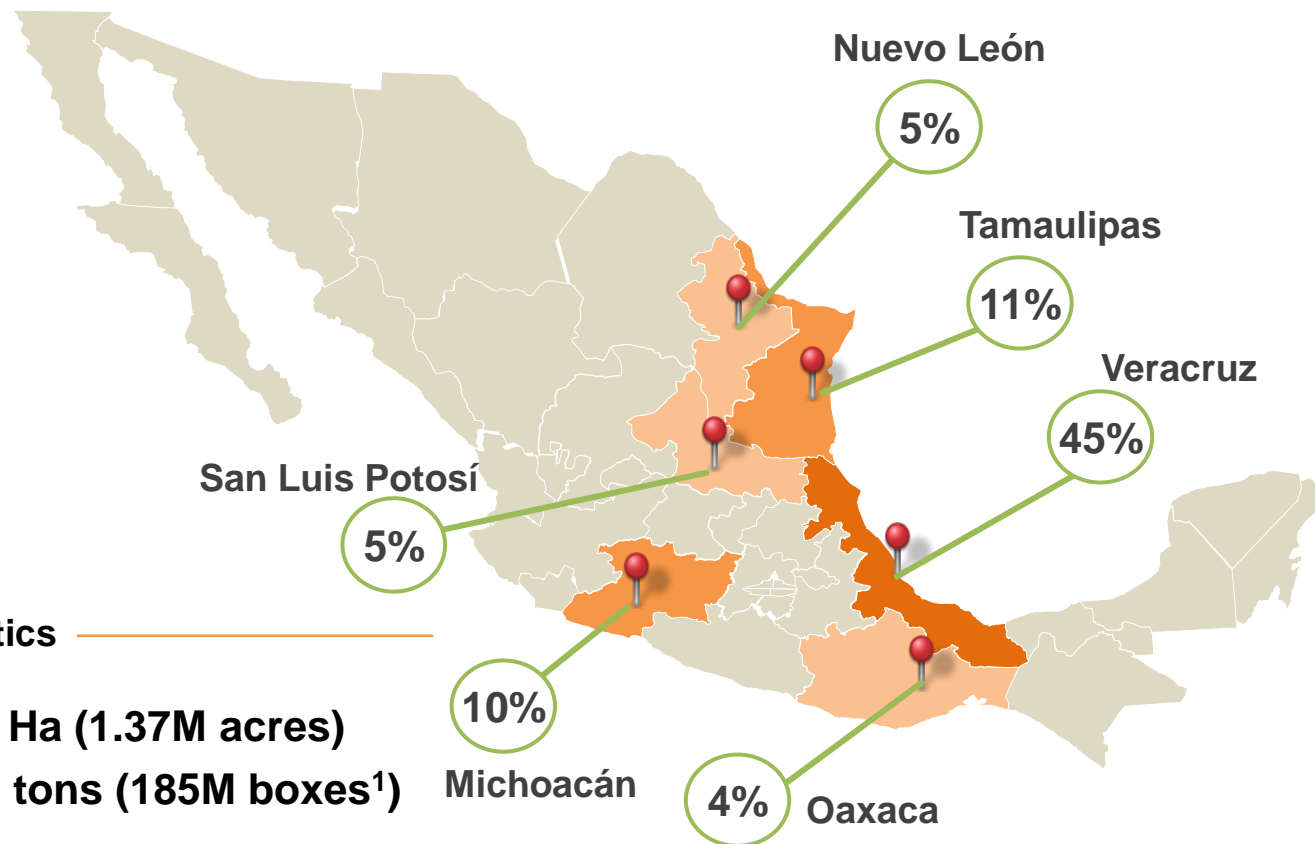
1) European Union total production 10.4. Information not available by individual country

Mexico's Citrus production grew 15% in the past 5 years



- **Orange is the most important Citrus in Mexico** with 58% of total production.
- Estimates place **Organic Orange production** shy below 1% of production, and still is the **largest organic orange producer in the world.**
- In spite of HLB's effect in Mexico's West Coast, **Lemons and Limes production has grown 23% since 2010.**

~65% of Mexico's Citrus production is located close to the Gulf of Mexico



Key Statistics

Planted area: **554K Ha (1.37M acres)**

Production: **7.6 M tons (185M boxes¹)**

Fresh fruit exports: **US\$377M**

Juice exports²: **US\$386M**

Citrus Oil exports³: **US\$130M**

1) 90 lbs boxes

2) FC & NFC

3) Citrus oils + D'limonene

Citrus crop production through the year

Mexican Processing Industry Season

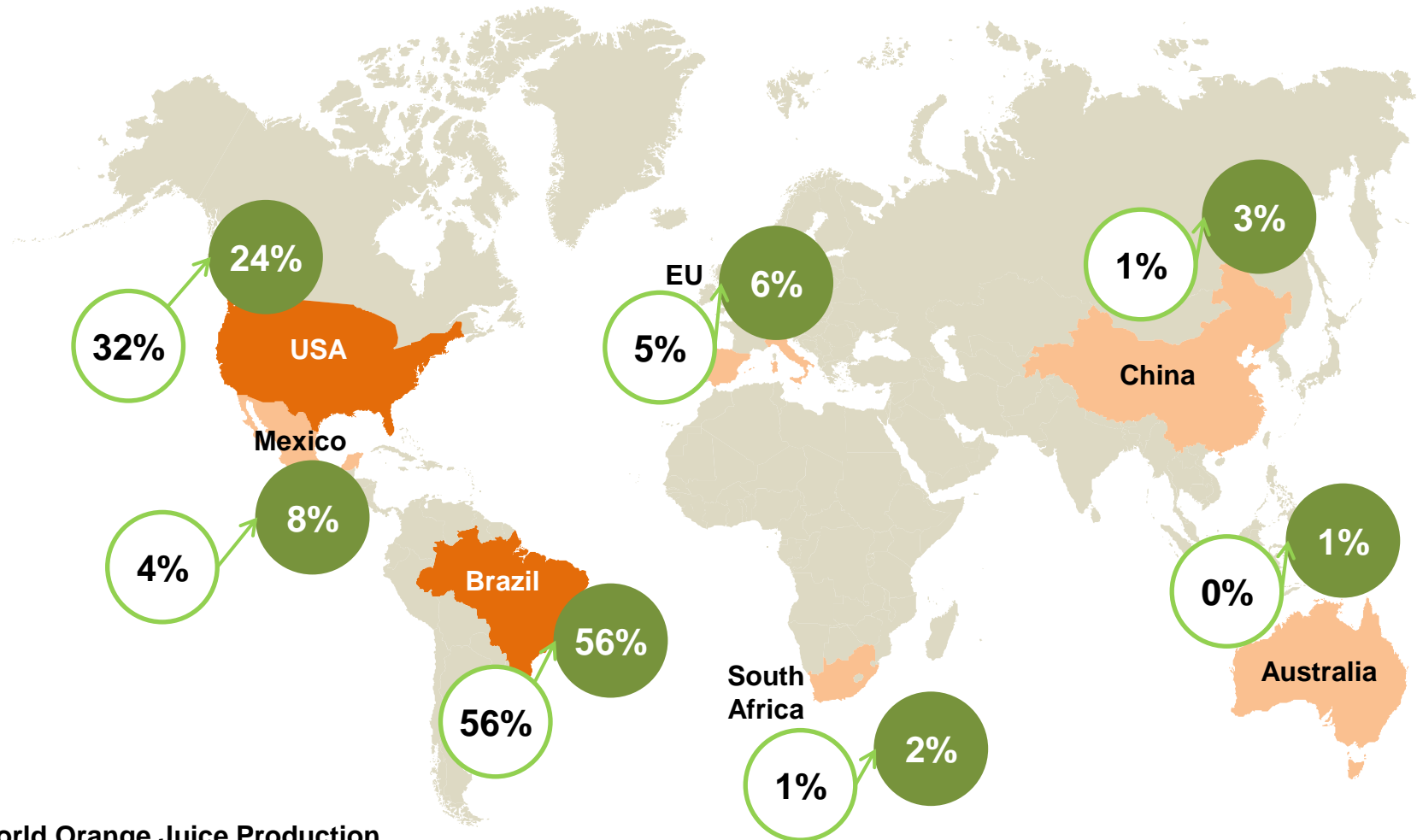




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- **Orange**
- Lemon & Lime
- HLB

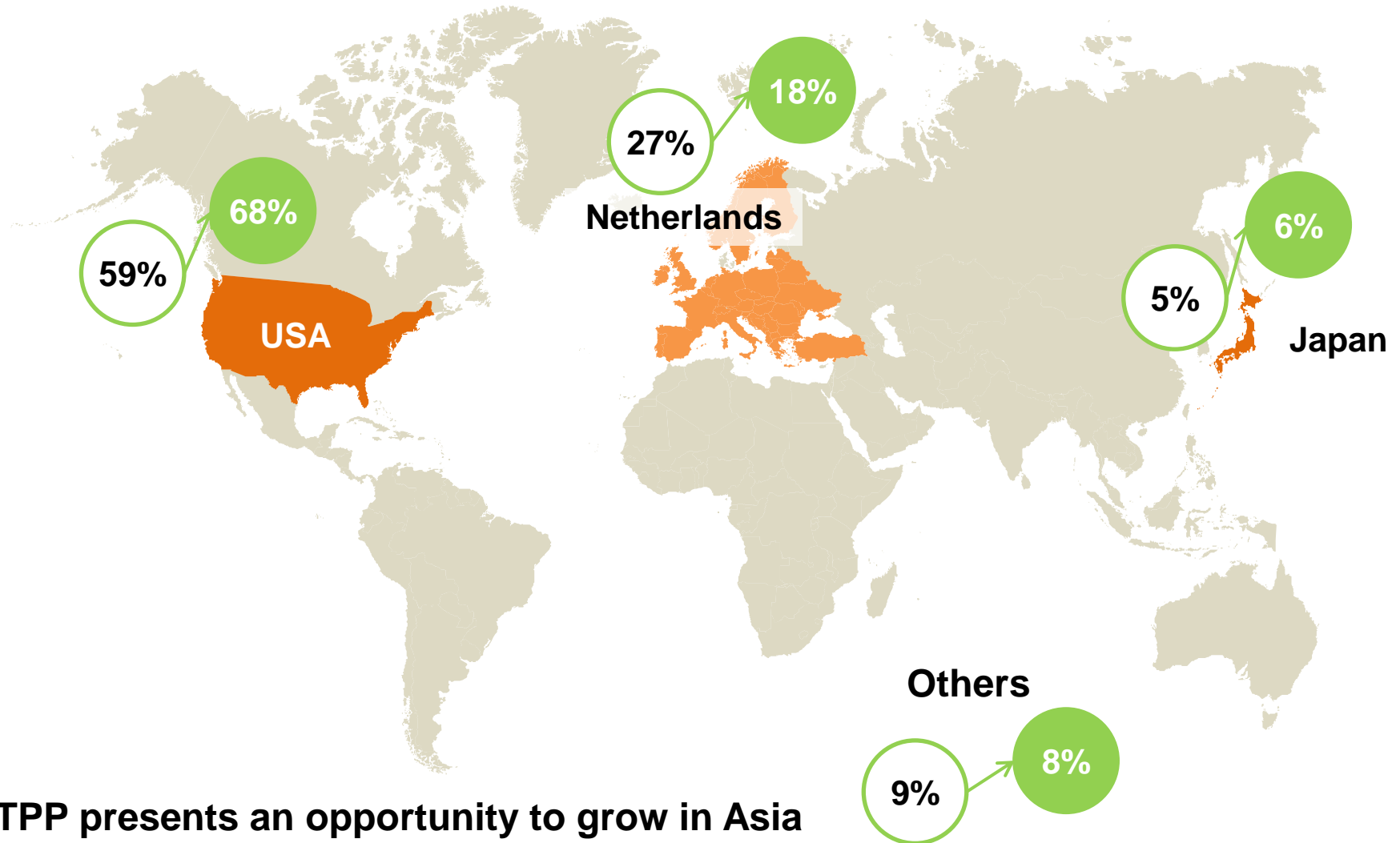
Mexico is the 3rd largest orange processor in the World, with 8% of the total processed volume



World Orange Juice Production

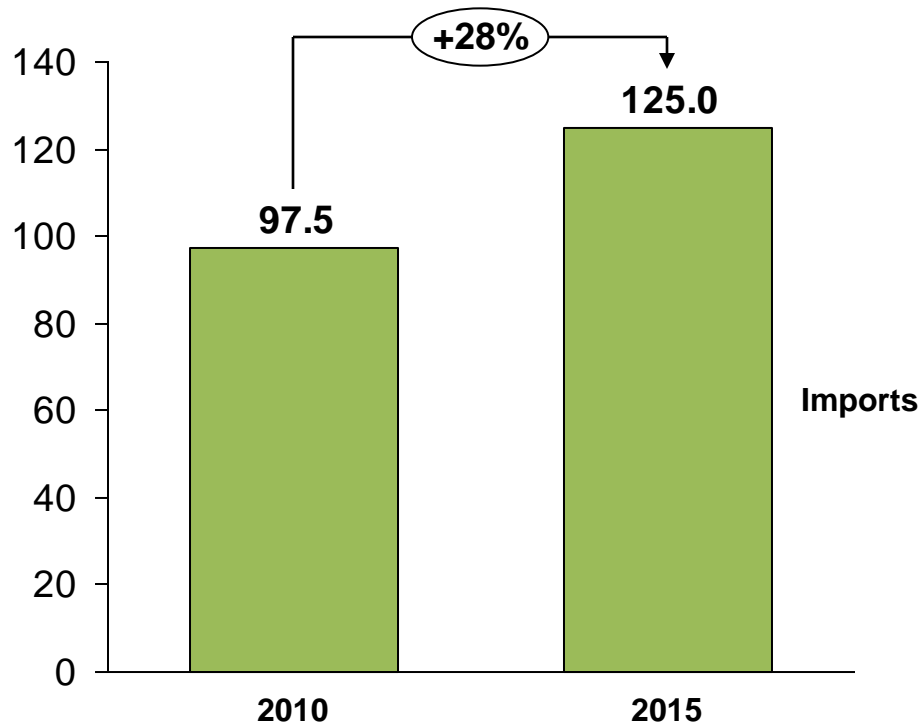
- 2010: 2.2 M Metric Tons (65° Brix)
- 2015: 1.8 M Metric Tons (65° Brix)

Mexico's total OJ exports have grown 22% to an equivalent of 28Mboxes in 2015 vs 5 years ago

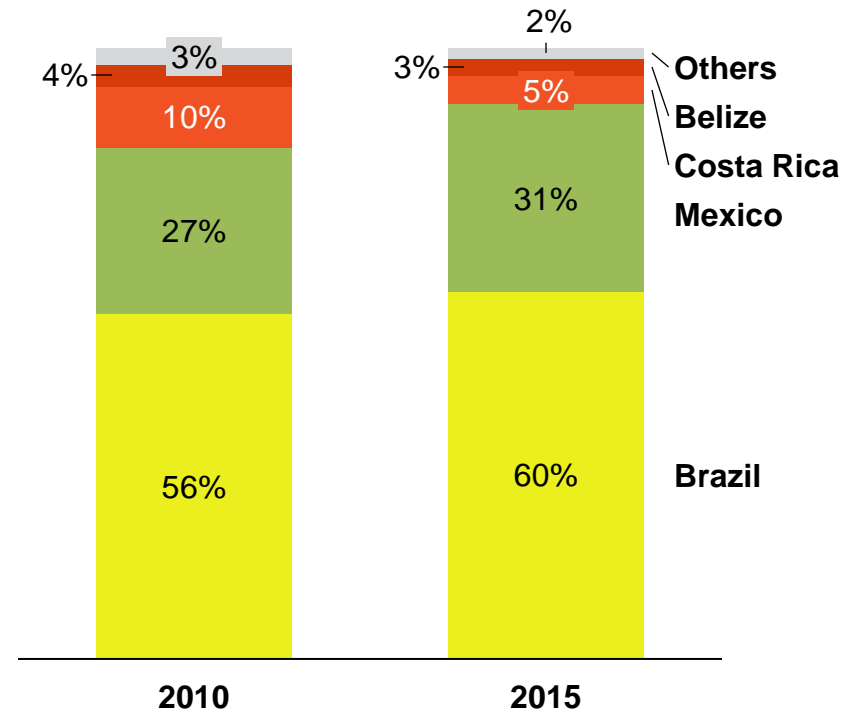


As OJ processing has declined in the USA, imports are becoming an important source of supply

USA OJ Imports
SSE Gal



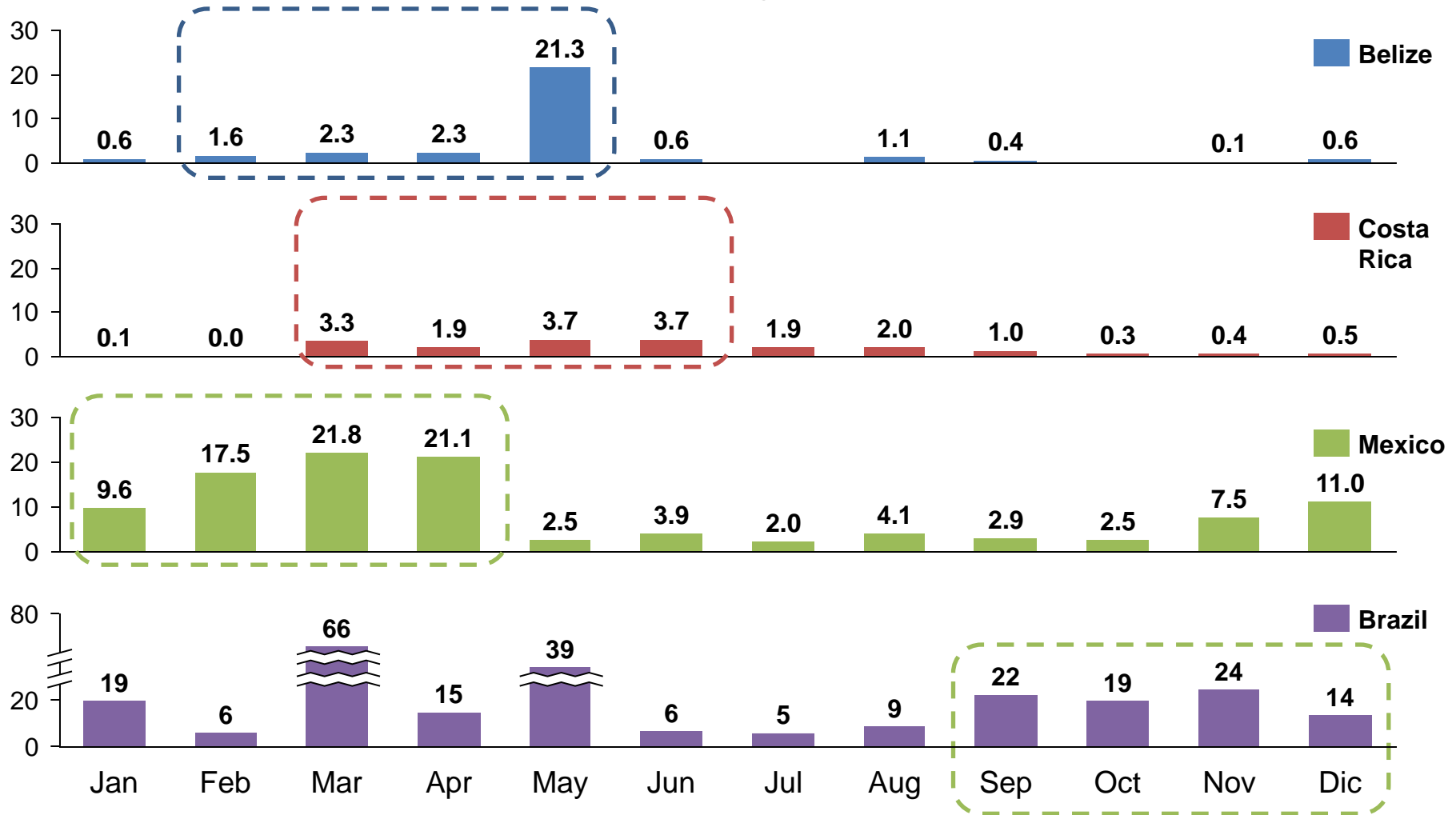
USA OJ Imports Mix
SSE Gal



- Imports have grown 28% in the past 5 years
- Mexico and Brazil have grown in participation

Clear import seasonality by country, as well as a strong off-season for Brazil & Mexico

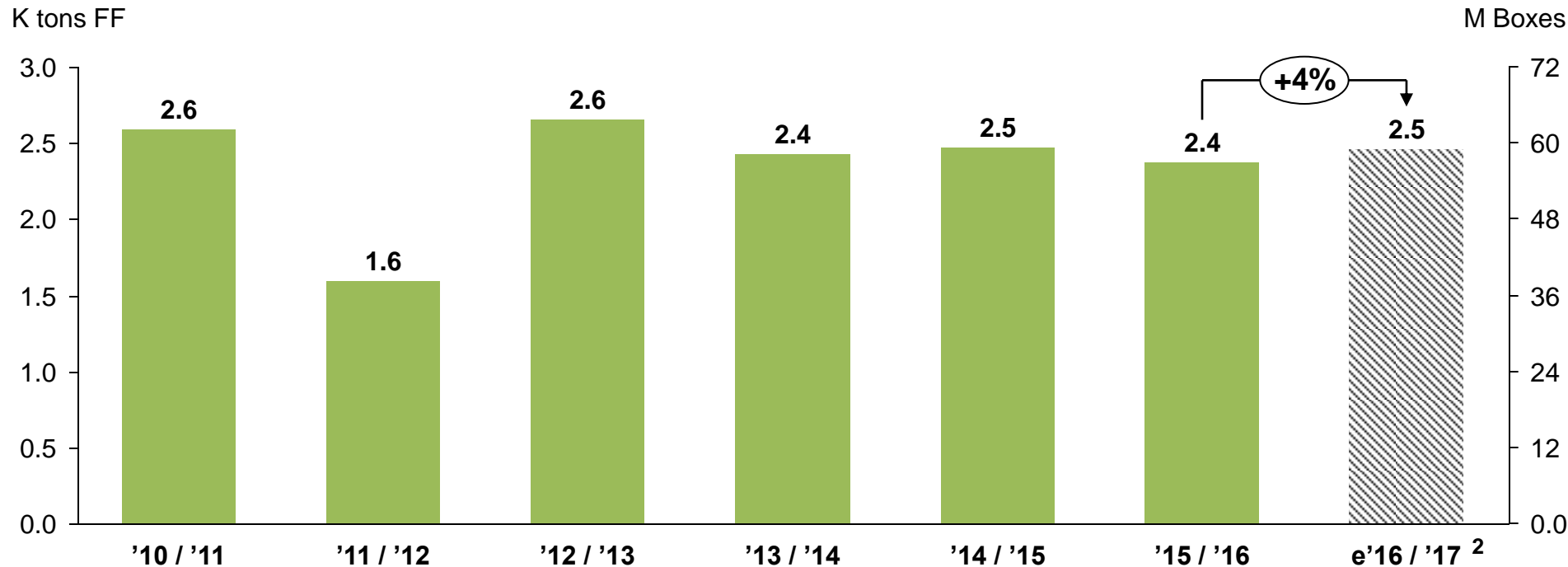
2015 OJ US Imports From Key Countries
Million SSE gals



For the past 4 years, Mexico's Valencia orange crop has been stable. '16 /17 estimates are moderately positive



Mexico's Valencia Orange Crop on Key Producing States¹



- **No large new orange grove development** - maintenance plantings only
- Estimated crop - ~60 Mboxes³
- Minimum HLB effect to date (in orange crop)

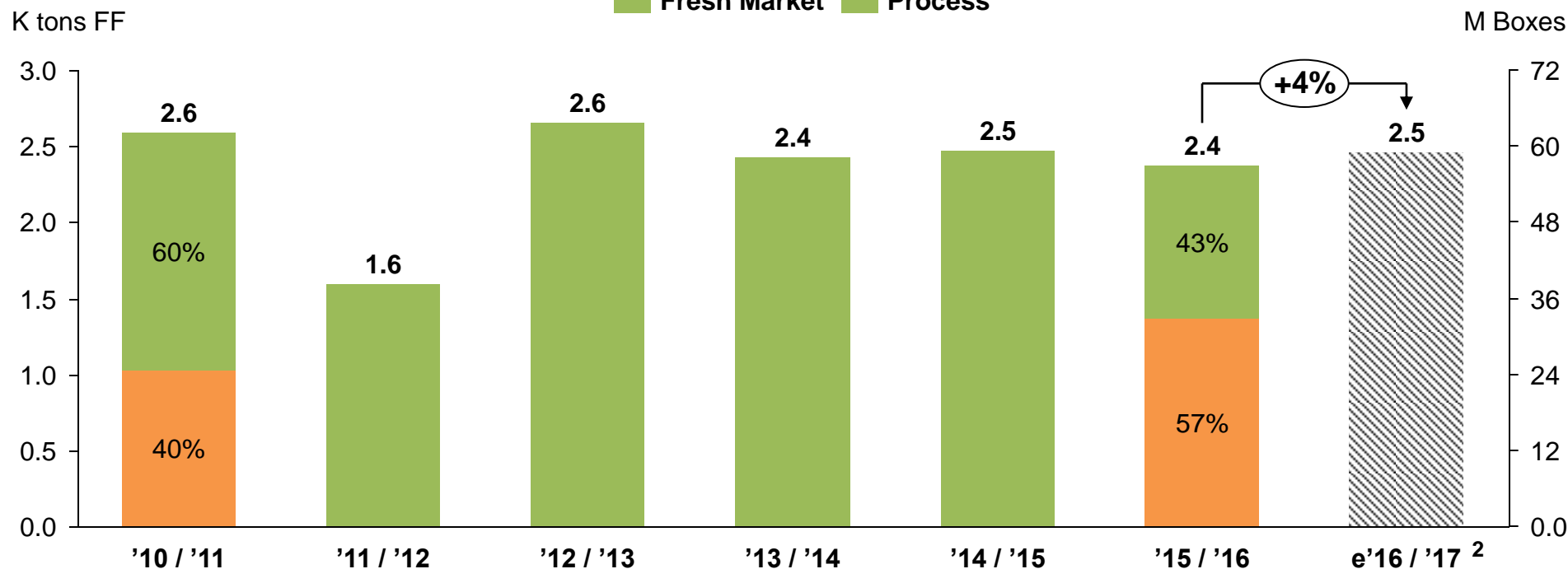
- 1) Veracruz, SLP, Tamaulipas & Nuevo Leon
- 2) Steiger crop estimate
- 3) 90lbs boxes

Processors are gaining ground to the Fresh Market



Fresh Market vs Industry Process Mix

■ Fresh Market ■ Process

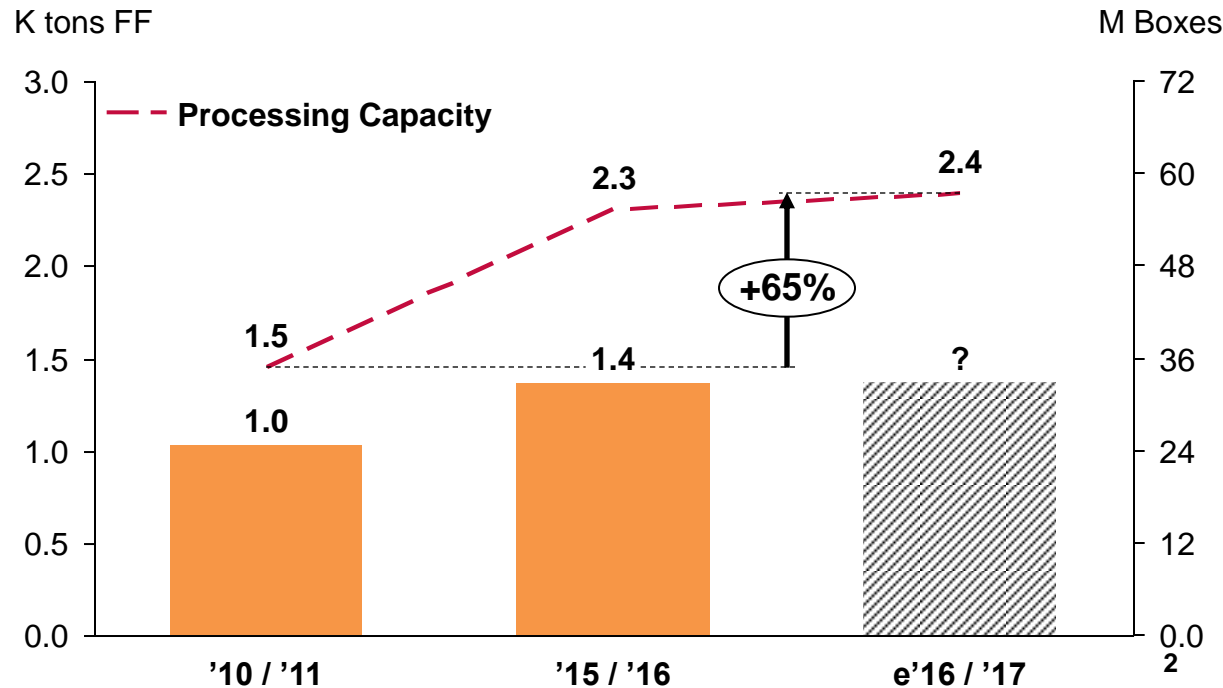


- In the past, industry has captured between 40% & 57%
- This year a majority of fruit was processed, we estimate ~33M Boxes
- Current FCOJ prices could further influence industry participation

2) Based on Steiger crop estimate

A proliferation of new processors and investments have increased processing capacity

Processing Capacity vs Industry Process
Mtons FF



Competitive Evolution



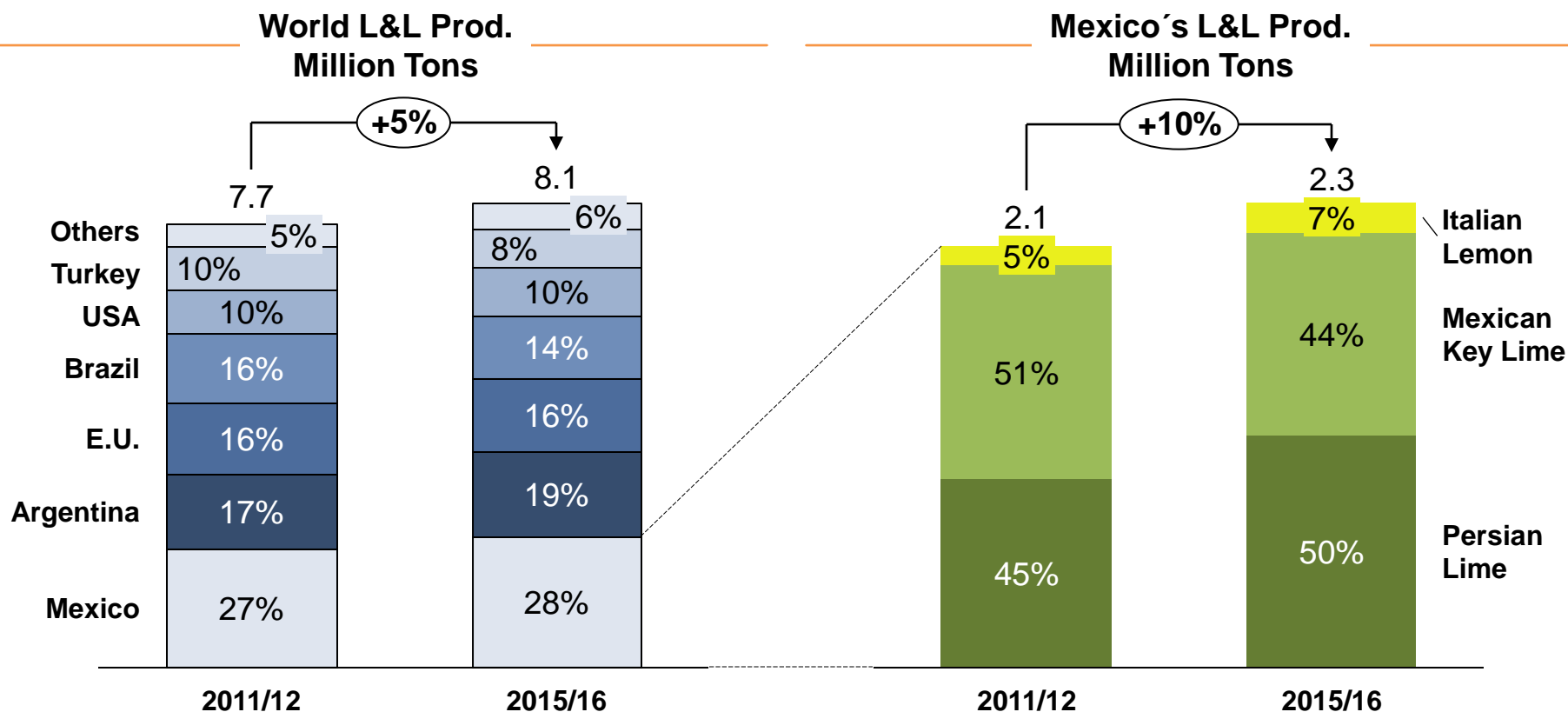
- Processing capacity has increased 65%
- Since 2000, many new small companies and facilities



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- **Lemon & Lime**
- HLB

Mexico is the largest Persian and Key Lime producer in the world and continues to grow

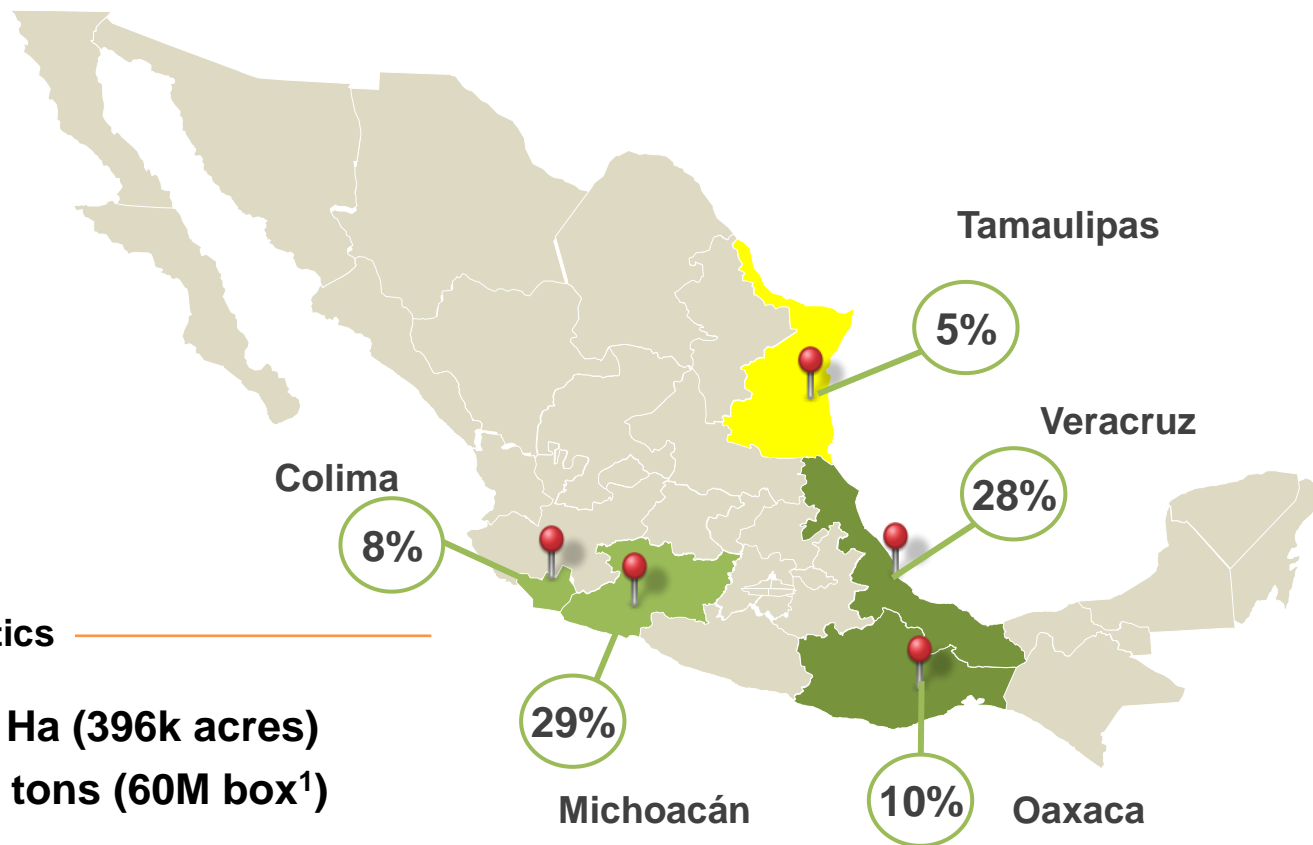


- **Mexico represents 28%** of the world's Lemon & Lime's production
- Production is **focused mostly on Persian & Key Lime (94%)**
- In past 4 years, world production grew 5% while **Mexico's production reached 10% growth**

80% of total L&L production is based in 5 states, with a clear preference to a particular fruit variety

Predominant variety production

- Italian Lemon
- Persian Lime
- Key Lime



Key Statistics

Planted area: 160K Ha (396k acres)

Production: 2.3 M tons (60M box¹)

Fresh fruit exports: US\$351M

Juice exports: US\$ 70M

Citrus Oil exports²: US\$ 12M

1) Equivalent to 85 lbs boxes

Increase in production mostly driven by US Export prices

US Average Export Prices¹ (\$USD)



Italian Lemon

2006	2011	2015
\$24.5	\$22.1	\$29.6

21%



Persian Lime

2006	2011	2015
\$11.6	\$15.0	\$16.7

23%



Key Lime

2006	2011	2015
\$14.3	\$16.2	\$19.4

30%

Considered months during processing season:

Italian Lemon: Aug- Dic

Persian Lime: June- Oct

Mexican Lime: May- Sept

Pricing for 40lbs boxes



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Affected States

- None

- The Asian Citrus Psyllid (ACP), vector of HLB disease, was first detected in Mexico in 2002.
- It quickly disseminated across the country.



Evolution of HLB in México 2009 - 2016



Affected States

- Yucatán
- Quintana Roo
- Nayarit
- Jalisco



- HLB was first detected in Yucatán
- By the end of 2009, HLB was confirmed in three other states.

Evolution of HLB in México 2009 - 2016



Affected States

- Campeche
- Colima
- Sinaloa
- Michoacán



- In 2010, HLB was confirmed in four more states



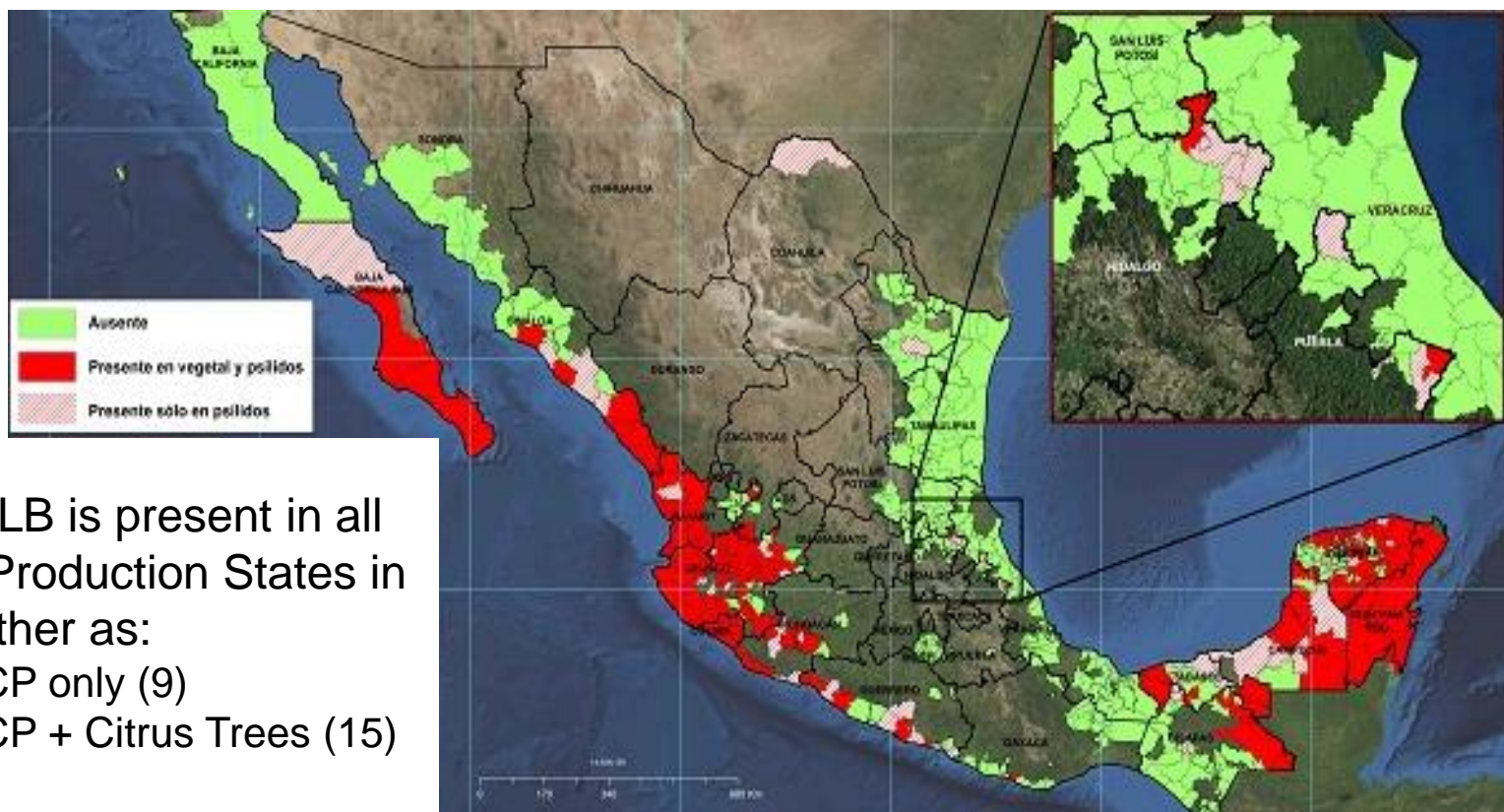
Affected States

- Baja California Sur
- Hidalgo
- Chiapas
- Tabasco



- In 2011, four additional states found HLB infections

Evolution of HLB in México 2009 - 2016



- To date, HLB is present in all 24 Citrus Production States in México, either as:
 - infected ACP only (9)
 - infected ACP + Citrus Trees (15)

- HLB has mainly affected key lime production in the Pacific Coast
- In Colima, 100% of citrus trees are infected since 2013
- Production loss is estimated to reach 50% because of yield reduction of HLB infected trees
- As of today, yield reduction in oranges or other varieties has not been reported or observed



SENASICA – the Mexican Plant Health Authority HLB strategy is focused on 5 key actions

ACP monitoring



- Nationwide ACP monitoring with dynamic informatics system (SIMDIA)
- ACP sampling for PCR diagnosis

Grove Inspections



- Centinel groves – inspect. all trees for HLB symptoms
- Leaf analysis in 100% of trees near ACP positive detections.
 - ✓ This drove to the asymptomatic positive detection in Golf Coast

Establishment of ARCOS



- Establishment of Regional Management Areas (ARCOS) where infected ACPs or citrus trees are detected, for ACP monitoring and control

ACP Control



- 2-3 times a year
- Careful selection of:
 - ✓ Biological (*Tamarixia radiata*)
 - ✓ Fungui
 - ✓ Environmental friendly insecticides

Tree Elimination



- Elimination of HLB positive trees where possible.
 - ✓ Colima has 100% of trees infected, can't elimination is not possible.



- Monitoring & control investments of ~\$9.5MUSD
- Total investments - \$42MSUD
 - ✓ Awareness campaigns
 - ✓ Monitoring & control
 - ✓ Detection labs / Bio control development

Mexico is an economically stable country, favored by investors in Latin America

Citrus development is expected to continue growing, particularly in Lemons & Limes

Next year's orange season is expected to have a moderate growth (4%)

Government and industry working to monitor and control HLB, which has mainly affected the west coast

Relevant processing capacity increase with new small players

Exports are increasing and can be further ignited by the TPP



Citrofrut

“Quality, reliability & experience are the key drivers of our reputation, distinction and the image in which we pride ourselves on”