Overview of the Citrus Industry in Mexico

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Please keep in mind

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.

<table>
<thead>
<tr>
<th>Significant Sales</th>
<th>Solid Group of Collaborators</th>
<th>Global Footprint</th>
</tr>
</thead>
<tbody>
<tr>
<td>US$ +2.8 Billion 2015</td>
<td>14,400</td>
<td>Presence in 16 countries</td>
</tr>
</tbody>
</table>

Participation in 5 Industry Sectors:

- **Metalsa**: We offer parts for embossing, assembling and inspection, to the international automotive market.
- **Citrofrut**: International company with more than 50 years in the market. We are committed to the production and processing of citrus fruits and tropical fruits.
- **zánitas**: 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**: Astrum Satelital is a leader in the Mexican market of technology and high communication since 1976.
- **Areya**: Our mission is to develop communities and bring a better life quality of its habitants.
Executive Summary: Citrofrut

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 Hardworking 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.

**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)

Source: BBVA Research, EIU
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Mexico is the 4th largest citrus producer in the world with ~8% of total production.

2015/2016 Citrus World Production - Top 10

<table>
<thead>
<tr>
<th>Country</th>
<th>Oranges</th>
<th>Tangerine &amp; Mandarin</th>
<th>Grapefruit</th>
<th>Lemons &amp; Limes</th>
<th>Total Production</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>7.0</td>
<td>20.0</td>
<td>4.3</td>
<td>1.1</td>
<td>31.3</td>
</tr>
<tr>
<td>Brazil</td>
<td>14.4</td>
<td>0.9</td>
<td>0.7</td>
<td>0.8</td>
<td>16.4</td>
</tr>
<tr>
<td>USA</td>
<td>5.4</td>
<td>0.9</td>
<td>0.4</td>
<td>0.3</td>
<td>7.8</td>
</tr>
<tr>
<td>Mexico</td>
<td>4.5</td>
<td>0.3</td>
<td>0.2</td>
<td>0.7</td>
<td>7.5</td>
</tr>
<tr>
<td>Turkey</td>
<td>1.7</td>
<td>1.0</td>
<td>0.3</td>
<td>0.4</td>
<td>3.6</td>
</tr>
<tr>
<td>Egypt</td>
<td>2.8</td>
<td>0.4</td>
<td>0.4</td>
<td>0.4</td>
<td>3.6</td>
</tr>
<tr>
<td>Argentina</td>
<td>2.7</td>
<td>0.3</td>
<td>0.3</td>
<td>0.3</td>
<td>3.3</td>
</tr>
<tr>
<td>S. Africa</td>
<td>2.2</td>
<td>1.1</td>
<td>0.3</td>
<td>0.3</td>
<td>3.6</td>
</tr>
<tr>
<td>Morocco</td>
<td>2.0</td>
<td>0.3</td>
<td>0.3</td>
<td>0.3</td>
<td>2.6</td>
</tr>
<tr>
<td>Japan</td>
<td>1.1</td>
<td>1.1</td>
<td>0.3</td>
<td>0.3</td>
<td>2.5</td>
</tr>
</tbody>
</table>

Total World Production: 90 Million Tons of Fresh Fruit

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

Source: USDA, FAO
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 boxes\(^1\))

**Exports:**

- **Fresh fruit exports:** US$377M
- **Juice exports\(^2\):** US$386M
- **Citrus Oil exports\(^3\):** US$130M

Source: SAGARPA, Trademap

1) 90 lbs boxes
2) FC & NFC
3) Citurs oils + D’limonene
## Citrus Crop Production through the Year

### Mexican Processing Industry Season

<table>
<thead>
<tr>
<th>Citrus Type</th>
<th>Production Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Orange Valencia</td>
<td><strong>Jan</strong> - <strong>Apr</strong>, <strong>Nov</strong> - <strong>Dec</strong></td>
</tr>
<tr>
<td>Persian Lime</td>
<td><strong>Jun</strong> - <strong>Oct</strong></td>
</tr>
<tr>
<td>Italian Lemon</td>
<td><strong>Aug</strong> - <strong>Nov</strong></td>
</tr>
<tr>
<td>Grapefruit</td>
<td><strong>Oct</strong> - <strong>Nov</strong></td>
</tr>
<tr>
<td>Tangerine</td>
<td><strong>Dec</strong></td>
</tr>
</tbody>
</table>
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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)

Source: USDA
Mexico’s total OJ exports have grown 22% to an equivalent of 28M boxes in 2015 vs 5 years ago.

- **USA**: 59%
- **Netherlands**: 27%
- **Japan**: 5%
- **Others**: 6%+18%+9%+8%=

*TPP presents an opportunity to grow in Asia*

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

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

Source: USDA, FDOC
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

Source: FDOC
For the past 4 years, Mexico’s Valencia orange crop has been stable. ‘16 /’17 estimates are moderately positive

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

Source: Citrofrut analysis + Steiger crop estimates
Processors are gaining ground to the Fresh Market

Fresh Market vs Industry Process Mix

<table>
<thead>
<tr>
<th>Year</th>
<th>Fresh Market</th>
<th>Process</th>
</tr>
</thead>
<tbody>
<tr>
<td>'10 / '11</td>
<td>2.6</td>
<td>1.6</td>
</tr>
<tr>
<td>'11 / '12</td>
<td>2.6</td>
<td>1.6</td>
</tr>
<tr>
<td>'12 / '13</td>
<td>2.6</td>
<td>1.6</td>
</tr>
<tr>
<td>'13 / '14</td>
<td>2.4</td>
<td>1.6</td>
</tr>
<tr>
<td>'14 / '15</td>
<td>2.5</td>
<td>1.6</td>
</tr>
<tr>
<td>'15 / '16</td>
<td>2.4</td>
<td>1.6</td>
</tr>
<tr>
<td>e'16 / '17</td>
<td>2.5</td>
<td>1.6</td>
</tr>
</tbody>
</table>

- 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

Source: Citrofrut analysis + Steiger crop estimates

2) Based on Steiger crop estimate
A proliferation of new processors and investments have increased processing capacity.

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

Source: Citrofrut analysis + Steiger crop estimates
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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.**

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

Source: SAGARPA,

1) Equivalent to 85 lbs boxes
Increase in production mostly driven by US Export prices

### US Average Export Prices ($USD)

<table>
<thead>
<tr>
<th></th>
<th>Italian Lemon</th>
<th>Persian Lime</th>
<th>Key Lime</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Export Price</strong></td>
<td>$24.5</td>
<td>$22.1</td>
<td>$29.6</td>
</tr>
<tr>
<td><strong>Percentage Change</strong></td>
<td>21%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Considered months during processing season:**
- Italian Lemon: Aug - Dec
- Persian Lime: June - Oct
- Mexican Lime: May - Sept

Pricing for 40lbs boxes
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The Asian Citrus Psyllid (ACP), vector of HLB disease, was first detected in Mexico in 2002. It quickly disseminated across the country.

Affected States

- None
• HLB was first detected in Yucatán
• By the end of 2009, HLB was confirmed in three other states.
In 2010, HLB was confirmed in four more states:

- Campeche
- Colima
- Sinaloa
- Michoacán
In 2011, four additional states found HLB infections:

- Baja California Sur
- Hidalgo
- Chiapas
- Tabasco
To date, HLB is present in all 24 Citrus Production States in México, either as:
- infected ACP only (9)
- infected ACP + Citrus Trees (15)
Key impact of HLB in Mexico

- 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
Conclusions

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