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**Mexico**

**Strawberries**

**Annual**

**2000**

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**Report Highlights:**

**Strawberry production for MY 1999 is forecast to increase compared to MY 1998.**

**Exports of fresh and frozen strawberries, however, are forecast to decrease compared to MY 1998 exports due to weather problems and low international prices.**

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Includes PSD changes: Yes  
Includes Trade Matrix: Yes  
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SECTION I. SITUATION AND OUTLOOK .....	1
The Economy .....	1
FRESH STRAWBERRIES .....	2
PRODUCTION .....	2
CONSUMPTION .....	3
PRICES .....	4
TRADE .....	4
POLICY .....	4
MARKETING .....	5
FROZEN STRAWBERRIES .....	5
PRODUCTION .....	5
CONSUMPTION .....	6
TRADE AND MARKETING .....	6
POLICY .....	7
SECTION II. STATISTICAL TABLES .....	8
FRESH STRAWBERRIES .....	8
FROZEN STRAWBERRIES .....	9
TRADE MATRIXES .....	10
PRICES .....	12

## SECTION I. SITUATION AND OUTLOOK

### The Economy

The outlook for the Mexican economy continues to brighten after the uncertainty caused by the economic crises in Russia, Asia, and Brazil during the latter part of 1998 and early 1999. The nearly tripling of world oil prices combined with the Government of Mexico's (GOM) conservative fiscal and monetary policies have led to considerable strength in the Mexican economy. Estimated at 3.5 percent, GDP growth for 1999 surpassed earlier expectations, and the Bank of Mexico made believers out of skeptical market analysts by finishing 1999 below its 13 percent inflation target for the year, with an estimated 12.3 percent inflation rate.

That optimism is substantiated by the trade data. Mexico's exports increased 16 percent during the first eleven months of 1999 compared to the same period in 1998. Meanwhile, imports increased 12.9 percent and the trade deficit decreased by 36.7 percent during the same period. Higher oil prices and a more robust U.S. economy are the primary reasons for these improvements. The United States remains by far the most important market for Mexico's exports (88 percent in 1998) and the most important source of imports (74 percent).

Looking forward to 2000, the government projects that the current account deficit will be approximately US\$15.4 billion, a figure that would constitute a manageable 3.1 percent of GDP, but that's an increase from the 2.8 percent estimated for 1999. The GOM official inflation target for 2000 is 10.0 percent. The yearly average exchange rate is forecast at 10.4 pesos/US\$, which would be a modest depreciation from the average rate of 9.6 that prevailed in 1999. The GOM is targeting a fiscal deficit of only 1.0 percent of GDP, a decrease from the 1.25 percent deficit estimated for 1999..

Achieving these projections depends in a large part on strong oil prices. The higher than expected GDP growth rate in 1999 and the strength of the trade account are largely attributable to the rise in oil prices. Moreover, the GOM receives nearly one-third of its revenues from oil. The GOM used US\$16.0 per barrel to prepare the 2000 budget, a very reasonable target price given that the agreement to limit supply by the main exporting countries is likely to be extended for a good part of 2000. The price of the Mexican crude closed at US\$22.32 in December 1999. (NOTE: Mexican crude oil is a lower grade than North Brent crude.)

These reasons for optimism notwithstanding, it's important to note that the Mexican market tends to overreact to good or bad news and could be adversely affected by external or internal shocks. In particular, the Mexican economy is susceptible to U.S. economic conditions. A significant downturn in the U.S. economy, a large sustained correction in the U.S. equities market, or a pronounced increase in U.S. interest rates, could all trigger a downturn in Mexico. Internal politics also could present a threat to the economy. Mexico will be holding elections in July and the country has a history of economic turmoil in the year of or following elections.

## **FRESH STRAWBERRIES**

### **PRODUCTION**

Strawberry production for marketing year 1999/2000 (August/July) is forecast at 140,000 MT or a 4.4 percent increase compared to MY 1998. The increase can be attributed in part to more acres being planted as a result of good market prices during the previous season. Frosts during the first flowering in December 1999, however, reduced yields and quality. Area planted to strawberries is forecast at 7,500 Ha for MY 1999. According to growers, area planted increased in the central states of Michoacan, and Guanajuato because excellent strawberry prices during MY 1998 encouraged them to plant more for MY 1999. Some Guanajuato growers are planting in Michoacan instead of Guanajuato because they can harvest earlier and get higher prices for their crop.

Strawberry production estimates for MY 1998 have been revised upward to 134,000 MT based on updated information from the Secretariat of Agriculture, Livestock and Rural Development (SAGAR). Growers indicate that frosts reduced slightly overall production in the states of Michoacan and Guanajuato. Area planted and harvested estimates for MY 1998 have also been revised upward based on updated official information. Production, as well as area planted and harvested for MY 1997, have been revised upward reflecting final official data. It is important to note, however, that private sources consider SAGAR estimates to be a 20 to 25 percent higher than their estimates.

Growers state that the lack of credit, inadequate financial incentives, and declining water availability will limit future expansion. The international price for strawberries usually drives area planted up or down by an average of 600 Has. Guanajuato and Michoacan in particular suffer from inadequate water supplies. The government in Guanajuato, however, as part of the Water Conservation and Efficient Use Program, continues to support the irrigation program. This program educates producers on, and finance projects for, efficient water use, including converting flood irrigation to drip-irrigation, or sprinkler-jet irrigation, or floodgates. The government, the Bank of Mexico (through FIRA—the Farm Development Trust), the producers, and input suppliers all are involved in financing these projects. According to sources, though, the program has been moving slowly. Other producing states are also using water more efficiently with new methods of ferti-irrigation.

Most producers are organizing themselves to improve their food safety practices. In Guanajuato, for example, the state government, growers, and agroindustry are working together in a committee to bring their phytosanitary practices up to internationally recognized standards. A committee comprise of members of these sectors is working toward improving its marketing practices and market share. The State of Baja California also has organized producers to implement better sanitary conditions and verification controls. Furthermore, they are certified by a private company from California. Michoacan also has its own verification controls that are followed by exporting companies which have joint ventures with U.S. companies. Some producers and agroindustry also formed a group that is following the Hazard Analysis Critical Control Points (HACCP) program on strawberry production to minimize risks from the field to the processing plant. This group's activities also are verified by a California consulting group. Producers are using more and more plastic mulch to help minimize disease risks. In addition, they are controlling the use of pesticides, implementing better agricultural practices, and educating themselves on risk assessment.

Over ninety-percent of the strawberries produced in Mexico are grown in the states of Michoacan, Guanajuato, and Baja California. Scattered plantings can also be found in Jalisco, Aguascalientes, Mexico, Morelos, Sinaloa, Veracruz and Zacatecas. Mexico grows many strawberry varieties. These include Camarroza, Driscoll,

Duran, Pacifico, Parker, Chandler, Pajaro, Solana, and Oso Grande. Large producers are always trying new varieties which are more suitable for regional climates. According to growers, the Camarrosa, from California, is a new disease resistant variety that is beginning to take the place of the Chandler variety. In Guanajuato, for example, the Chandler variety is planted in approximately 57 percent of the area, and the new Camarrosa variety already has almost 25 percent of the area planted.

The harvest season for Michoacan and Guanajuato is November- June, with peak harvest for Michoacan from November to February, and a peak harvest for Guanajuato from February to April. The harvest season for Baja California is January-June, with the peak harvest in March-April.

Strawberry yields in Mexico vary greatly depending upon variety, area, and weather conditions. Given the weather conditions in Michoacan and Guanajuato during MY 1999, yields are expected to average 18.9 MT/Ha, lower than MY 1998 yields of 20 MT/Ha. Well-tended areas, however, can produce as much as 35 MT/Ha. Yields in Baja California are higher and are expected to be as high as 40-50 MT/Ha. Some growers indicate that they are improving their cultural practices in order to increase yields.

Strawberry production costs for MY 1999 increased approximately 4 percent as a result of the rising cost of imported inputs, especially agrochemicals. The average cost to establish a hectare of strawberries in Guanajuato during MY 1999 was approximately 75,000 pesos/Ha (US\$7,853/Ha), while Michoacan costs are approximately 85,000 pesos/Ha (US\$8,900/Ha). This costs do not include drip irrigation and plastic mulch, the latter averages US\$800 per hectare. The average production cost for an established bed is approximately 40,800 pesos/Ha (US\$4,272/Ha). Basic expenses include nursery establishment, field preparation, strawberry plants, fertilizers and fungicides, irrigation, and harvesting. The most expensive inputs are the strawberry plants which are imported from the United States. The cost per hectare for strawberry plants (from 120,000 to 150,000 plants) is nearly 14,400 pesos to 16,500 pesos (US\$1,507 to US\$1,736). All Mexican strawberries are irrigated. Labor costs have increased from approximately 30 pesos to about 60 pesos (US\$3.00 to approximately \$5.00) per day. Some workers even want to be paid by the number of baskets picked rather than by the hour. Labor is scarce in places like Guanajuato because several new industries like automobiles, steel and “maquiladoras” are hiring away farm laborers. Therefore, the strawberry producers have to pay higher wages — practically \$70 to \$100 pesos/day (US\$7 to \$10/day) — to attract workers. (NOTE: The official minimum wage for farm workers is approximately US\$4.25 per day.)

The overall financial situation of many strawberry farmers is still poor. Credit is tight because commercial banks consider strawberries a very high risk crop. Consequently, growers are not increasing area planted significantly. FIRA, however, along with the state government and producers, are implementing the Water Conservation and Efficient Use Program mentioned above. Given this tight credit situation, brokers, processors and U.S. importers are reportedly financing some Mexican strawberry production. The average interest rate on loans was approximately 20 percent, above the inflation rate for 1999 of 12.3 percent.

The federal and state governments provide no price supports for strawberries, and all subsidies for fertilizers, electricity, pesticides and other inputs have been virtually eliminated.

## CONSUMPTION

Fresh strawberry consumption for MY 1999 is forecast at 48,200 MT, higher than MY 1998 consumption because of larger supplies. According to growers, the domestic market has slowly demanded more fresh strawberries because of a good consumer purchasing power. The balance, however, will depend on the strength of the consumer purchasing power and the demand for fresh strawberries from the international market. The MY 1998 consumption estimate has been revised downward because many producers sold their supply to the export market first because of attractive prices. The consumption estimate for MY 1997 has been revised upward based on official Mexican information. Demand for imported strawberries has remained more or less the same over the past two years and is not expected to increase significantly. The average Mexican consumer does not discriminate between domestic and imported strawberries. The major challenge that faces U.S. exporters in the Mexican market is to increase consumer awareness of varietal differences. According to wholesalers, the number one preference is the Driscoll variety because of its size, color and flavor, followed by the Duran and other varieties. As most strawberries in Baja California are produced for the export market, these tend to be of the best quality, followed by those from Guanajuato and Michoacan.

## PRICES

The farmgate prices for strawberries for the fresh domestic market were approximately US\$2.50 to US\$3.00 per 5 kilogram/box. Low quality had lower prices. On the other hand, farmgate prices during January/February 2000 for fresh export strawberry began at approximately US\$4.00 to \$5.00 per 5 kilogram box FOB. Growers considered this a lower price compared to 1999 prices of nearly US\$6.00 per 5 kilogram/ box. Growers and industry, as usual, try to serve the international market first. Therefore, prices for the domestic market are usually higher for the firsts months of the marketing year. MY 1999 wholesale prices began the season in November 1999 at approximately \$13.00 pesos/Kg (US\$1.36/Kg), and decreased to practically \$10 pesos/Kg (US\$1.04/Kg) in January and February 2000, similar to the former season. Prices, however, are forecast to be lower for 2000 because of larger supplies. Imported strawberries from the United States began in May 1999 at approximately 13.65 pesos/Kg (US\$1.43/Kg), and increased to nearly 21.00 pesos/Kg (US\$2.20/Kg) at the wholesale market during August/September 1999 when there are almost no domestic strawberries available.

## TRADE

The major market for Mexican strawberry exports is the United States, with smaller amounts shipped by air to Europe. Fresh strawberry exports are forecast at 42,000 MT for MY 1999, or a 6 percent decrease compared to MY 1998. Sources indicate that, because of frosts in December 1999, some fresh strawberries had a lower quality compared to MY 1998 and, therefore, less supply for export purposes was expected. Also, demand from the international market is expected to be slightly lower because of higher production in the U.S. The MY 1998 export estimate was revised upward because growers preferred to sell to the international market first before the domestic market. Export estimates for MY 1997 were revised upward reflecting official data. Imports of fresh U.S. strawberries supply the Mexican market from May through November. Imports of U.S. strawberries for MY 1999 are forecast at 4,200 MT or an increase of 5 percent. According to traders, imports of fresh strawberries could have a slight increase because of a better consumer purchasing power. The import estimate for MY 1997 and 1998 remain unchanged.

## **POLICY**

Under NAFTA, fresh strawberry imports from the United States are no longer subject to tariffs. Imports by Mexico from non-NAFTA countries are charged a 20 percent duty. Mexican strawberry exports to the United States are also no longer subject to tariffs. The tariff classification number is 08.10.10.01.

## **MARKETING**

The quantity of strawberries imported from the United States has been practically the same for the past two years. The import volume, however, has been maintained with promotional campaigns in Mexico, including campaigns conducted in chain stores in approximately 30 cities starting in May. Wholesalers are provided with point of sale materials to be distributed among their clients. Although imports may begin in May, strong volumes are imported from June through October. Traditionally, fruit becomes scarce by November when imports taper off and before the domestic production is harvested. The United States is expected to continue being the main supplier to the Mexican market.

Imported strawberries are almost exclusively from California. The quality is good and they are packed using a system that eliminates oxygen, thus extending the berries' shelf life. Unfortunately, the system is frequently compromised and its benefits minimized when the cartons are opened for inspection and the fruit is exposed to oxygen.

The best quality strawberries destined for the domestic market are packed in 12 lb/boxes and sold in supermarkets and grocery stores. Lower quality strawberries are generally packed in 12/13 lb basket and are sold at street markets or along highways.

Unfortunately, there is still limited understanding within the Mexican market as to how to take care and preserve strawberries in the stores. Store managers have taken technical seminars in more than 30 cities and learned how to better display, sell and preserve strawberries. The Mexican strawberry market still has a long way to go before there is brand recognition and the health concerns are overcome.

## **FROZEN STRAWBERRIES**

### **PRODUCTION**

Mexican frozen strawberry production for marketing year 1999/2000 (Aug/July) is forecast at 54,000 MT, down approximately 13 percent from a year earlier. According to growers, the current low international price is driving down production of frozen strawberries. Also, due to better weather and higher production in the U.S., demand is expected to be lower compared to MY 1998. Total production may rise if more strawberries are diverted from the fresh market. Growers and buyers/processors generally operate separately -- there's very little integration with respect to the marketing firms providing inputs to the growers. As mentioned earlier, in Guanajuato, the state government, growers, and agroindustry, have begun to work together to implement internationally recognized phytosanitary and fruit quality standards. Some marketing companies are contemplating marketing integration with growers to have better quality and verification controls. Some companies in other states have entered into joint ventures with foreign companies. Together they have

implemented improved quality control. The MY 1998 production estimate has been revised upward because demand was greater than previously estimated and prices were good. The MY 1997 production estimate has been revised upward based on more recent information. Information is very difficult to obtain because the government does not keep it and the industry information tends to be spotty and incomplete.

According to the industry, the cost of production for frozen strawberries for MY 1999 has increased at approximately the inflation rate. According to the industry, the cost of production for a pound of frozen strawberries for MY 1999 is between US\$0.41 and \$0.42/lb.

There are approximately 20 to 23 strawberry processing plants in Michoacan and about nine plants in Guanajuato. Some of these plants operate one year and then close the next, sometimes under new owners. Also, some plants process other fruits during the off season, thereby allowing them to work all year round.

The lack of credit on affordable terms from Mexican financial institutions limits many plants' ability to expand. The plants that have joint ventures with foreign companies have access to foreign financing. Some other plants receive financing from U.S. importers. The majority of the plants are equipped to make all types of frozen/processed strawberries, including frozen with sugar, frozen without sugar, whole and sliced, and individual quick frozen (IQF). Most of the processed strawberries either are packed whole or sliced with sugar. The processors use a wide variety of packaging, depending upon buyers' needs, including 50 gallon drums; 2.5 gallon containers; or consumer ready packages.

The processing industry generally competes with the fresh market for fruit, with the latter paying higher prices. The farmgate price in Guanajuato for strawberries destined for processing in February 2000 was approximately 4.00 to 5.00 pesos/Kg (US\$0.41 to 0.52/Kg), while the farmgate prices for the fresh market were nearly 5.00 to 6.00 pesos/Kg (US\$0.52 to 0.62/Kg), although producers expect prices to rise to 7.00 pesos/Kg (US\$0.73/Kg).

## **CONSUMPTION**

The MY 1999 consumption forecast is 11,150 MT which is 4 percent higher than MY 1998 consumption. The industry indicates that frozen strawberry consumption is expected to keep growing slowly due to a better consumer purchasing power. Consumption of products like jams, breads and yogurt that use frozen strawberries has also kept on growing. Demand for U.S. frozen strawberries is not strong due to the availability of domestic production. There are generally no stocks of frozen strawberries because the carrying cost is very high. The frozen strawberry consumption estimate for MY 1997 and 1998 have been revised upward, based on available information.

## **TRADE AND MARKETING**

The export forecast for frozen strawberries for MY 1999 is 43,000 MT or 16.6 percent lower compared to MY 1998 exports. The industry is forecasting lower exports because of low international prices and lower international demand. If international prices keep falling, exports are expected to be even lower. Frozen strawberry exports for MY 1998 were revised upward at 51,600 MT, due to a higher demand and excellent international prices. The export estimates for MY 1997 remains unchanged.

Few companies have good market integration and product diversification. Growers and agroindustry, however, are looking towards integrating more to prevent the strawberry industry from becoming stagnant. According to

industry sources, the international price began at US\$0.42/lb FOB for MY 1999, but have fallen to approximately US\$0.39/lb. In MY 1998, the industry reported frozen strawberries prices at virtually US\$0.44 - \$0.46/lb FOB Irapuato and Zamora.

Frozen strawberry imports are still not significant within the Mexican market. Imports for MY 1999 are forecast at 150 MT, due to available domestic production. The import estimate for MY 1998 has been revised downward given the larger domestic supplies available. The import estimate for MY 1997 remains unchanged. There are no promotional campaigns for frozen strawberries in Mexico.

## **POLICY**

The 2000 NAFTA import tariff rate on frozen strawberries is 4.2 percent. Mexico charges a 20 percent duty on imports from non-NAFTA countries. There currently are no import licensing requirements for frozen strawberries. The tariff classification number is 08.11.10.01.

## SECTION II. STATISTICAL TABLES

## FRESH STRAWBERRIES

PSD Table						
Country	Mexico					
Commodity	Fresh Strawberries			(HA) (MT)		
	Revised 1997		Preliminary 1998		Forecast 1999	
	Old	New	Old	New	Old	New
Market Year Begin	08/1997		08/1998		08/1999	
Area Planted	6400	6680	6550	6800	0	7500
Area Harvested	6000	6615	6400	6700	0	7400
TOTAL Production	85000	<b>117330</b>	110000	<b>134000</b>	0	<b>140000</b>
Imports, Fresh	4060	4060	4000	4000	0	4200
TOTAL SUPPLY	89060	<b>121390</b>	114000	<b>138000</b>	0	<b>144200</b>
Exports, Fresh	27500	27532	30000	44760	0	42000
Domestic Fresh Market	25460	52758	36000	31040	0	48200
For Processing	36100	41100	48000	62200	0	54000
TOTAL UTILIZATION	89060	<b>121390</b>	114000	<b>138000</b>	0	<b>144200</b>

**FROZEN STRAWBERRIES**

PSD Table						
Country	Mexico					
Commodity	Frozen Strawberries				(MT)	
	Revised 1997		Preliminary 1998		Forecast 1999	
	Old	New	Old	New	Old	New
Market Year Begin	<b>08/1997</b>		<b>08/1998</b>		<b>08/1999</b>	
Deliv. To Processors	0	0	0	0	0	0
Beginning Stocks	0	0	0	0	0	0
Production	36100	<b>41100</b>	48000	<b>62200</b>	0	<b>54000</b>
Imports	540	540	200	102	0	150
<b>TOTAL SUPPLY</b>	36640	<b>41640</b>	48200	<b>62302</b>	0	<b>54150</b>
Exports	31100	31100	37500	51600	0	43000
Domestic Consumption	5540	10540	10700	10702	0	11150
Ending Stocks	0	0	0	0	0	0
<b>TOTAL DISTRIBUTION</b>	36640	<b>41640</b>	48200	<b>62302</b>	0	<b>54150</b>

## TRADE MATRIXES

<i>FRESH STRAWBERRIES</i>		UNITS: <i>METRIC TONS</i>	
EXPORTS FOR 1998 TO:		IMPORTS FOR 1998 FROM:	
U.S.	22662	U.S.	3953
OTHER		OTHER	
U.K.	399		0
GERMANY	308		
FRANCE	228		
TOTAL OF OTHER	935	TOTAL OF OTHER	0
OTHERS NOT LISTED	160	OTHERS NOT LISTED	0
GRAND TOTAL	27757	GRAND TOTAL	3953

<i>FROZEN STRAWBERRIES</i>		UNITS: <i>METRIC TONS</i>	
EXPORTS FOR 1998 TO:		IMPORTS FOR 1998 FROM:	
U.S.	28,463	U.S.	562
OTHER		OTHER	
CANADA	1,013	GUATEMALA	25
AUSTRALIA	842		
FRANCE	462		
TOTAL OF OTHER	2,317	TOTAL OF OTHER	25
OTHERS NOT LISTED	1,113	OTHERS NOT LISTED	1
GRAND TOTAL	<b>31,893</b>	GRAND TOTAL	<b>586</b>

**SOURCE:** Global Trade Information Services, Inc. "World Trade Atlas" Mexico Edition.

<b>FRESH STRAWBERRIES</b>		<b>UNITS: METRIC TONS</b>	
<b>EXPORTS FOR 1999* TO:</b>		<b>IMPORTS FOR 1999* FROM:</b>	
U.S.	42,918	U.S.	5,146
OTHER		OTHER	
GERMANY	462		0
U.K.	310		
FRANCE	73		
TOTAL OF OTHER	845	TOTAL OF OTHER	0
OTHERS NOT LISTED	100	OTHERS NOT LISTED	0
<b>GRAND TOTAL</b>	<b>43,863</b>	<b>GRAND TOTAL</b>	<b>5,146</b>

\* As of November 1999.

<b>FROZEN STRAWBERRIES</b>		<b>UNITS: METRIC TONS</b>	
<b>EXPORTS FOR 1999* TO:</b>		<b>IMPORTS FOR 1999* FROM:</b>	
U.S.	43,102	U.S.	85
OTHER		OTHER	
CANADA	1,344	CHINA	21
FRANCE	1,180		
AUSTRALIA	779		
TOTAL OF OTHER	3,303	TOTAL OF OTHER	21
OTHERS NOT LISTED	1,677	OTHERS NOT LISTED	0
<b>GRAND TOTAL</b>	<b>51,082</b>	<b>GRAND TOTAL</b>	<b>106</b>

**SOURCE:** Global Trade Information Services, Inc. "World Trade Atlas" Mexico Edition.

\* As of November 1999.

## PRICES

<b>AVERAGE WHOLESALE STRAWBERRY PRICES</b>			
<b>Pesos per kilogram (C&amp;F Mexico City)</b>			
<b>Month</b>	<b>1998</b>	<b>1999</b>	<b>Change %</b>
<b>JANUARY</b>	<b>9.26</b>	<b>10.27</b>	<b>10.9</b>
<b>FEBRUARY</b>	<b>7.83</b>	<b>9.58</b>	<b>22.3</b>
<b>MARCH</b>	<b>7.16</b>	<b>10.00</b>	<b>39.7</b>
<b>APRIL</b>	<b>6.66</b>	<b>8.75</b>	<b>31.4</b>
<b>MAY</b>	<b>14.25</b>	<b>8.75</b>	<b>(38.6)</b>
<b>JUNE</b>	<b>12.80</b>	<b>11.16</b>	<b>(12.8)</b>
<b>JULY</b>	<b>19.00</b>	<b>15.25</b>	<b>(19.7)</b>
<b>AUGUST</b>	<b>19.00*</b>	<b>20.66</b>	<b>8.7</b>
<b>SEPTEMBER</b>	<b>18.71*</b>	<b>17.00</b>	<b>(9.1)</b>
<b>OCTOBER</b>	<b>25.37*</b>	<b>12.08</b>	<b>(52.4)</b>
<b>NOVEMBER</b>	<b>13.88</b>	<b>12.50</b>	<b>(9.9)</b>
<b>DECEMBER</b>	<b>14.58</b>	<b>11.25</b>	<b>(22.8)</b>
<b>* IMPORTED</b>			

SOURCE: SERVICIO NACIONAL DE INFORMACION DE MERCADOS  
 1998 AVG. EXCHANGE RATE: US\$1.00 = 9.15 PESOS  
 1999 AVG. EXCHANGE RATE: US\$1.00 = 9.55 PESOS  
 EXCHANGE RATE (FEBRUARY 23, 2000) US\$1.00 = 9.55 PESOS