USDA Foreign Agricultural Service
GAIN Report
Global Agriculture Information Network
Template Version 2.09

Required Report - public distribution

**Date:** 4/7/2005

**GAIN Report Number:** MX5030

# Mexico

# Stone Fruit

# Annual Report

# 2005

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**Report Highlights:**
MY 2005 and MY 2006 Mexican peach production is forecast at approximately 200,000 MT. Apricot and cherry production is very small. Stone fruit imports for MY 2005 and MY 2006 are expected to continue to grow as long as phytosanitary issues do not resurface to impede imports. Peaches, apricots and cherries are largely imported into Mexico from the United States and Chile.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
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## SECTION I. SITUATION AND OUTLOOK

### Executive Summary

Peaches are the most important stone fruit product that is produced commercially in Mexico. There is little apricot production, even less cherry production, and no nectarine production. The Mexican market imports a good volume of stone fruit that supplies the market year round. Peaches, apricots and cherries are largely imported from the United States and Chile and there is potential for increasing imports but only slowly, due to the availability of other local summer fruit at cheaper prices. Stone fruit imported from Chile does not compete directly with U.S. fruit since U.S. fruit is imported during the summer season while the Chilean fruit is imported during the winter season. Imported nectarines have been in the market for a few years as a result of U.S. and Chilean promotions. Imports of stone fruit for MY 2005 and MY 2006 are expected to continue to grow as long as phytosanitary issues do not resurface to impede U.S. imports.

### FRESH PEACHES

### PRODUCTION

Peach production in Mexico has been fluctuating slightly, due to unfavorable weather conditions, lack of credit, high input costs, and changes in area planted in some states (see Table I). However, based on optimistic preliminary estimates from the Secretariat of Agriculture (SAGARPA) offset by more modest industry projections, FAS/Mexico is forecasting MY 2005 (Jan-Dec) peach production at approximately 200,000 MT, due to the expectation of good weather conditions. The forecast for MY 2006 is expected to be very similar to MY 2005, assuming good weather conditions. MY 2004 peach production estimates reflect official data.

Planted peach area in Mexico has remained almost stagnant, ranging mostly between 40,000 hectares to 45,000 hectares in the last ten years. Recently, however, planted area has been decreasing, going from an average of 46,906 hectares in MY 2000 to 42,175 hectares in MY 2004. Area planted for MY 2005 and MY 2006 is forecast to remain at this low level -- approximately 41,000 hectares – unless conditions such as lack of available credit and dry weather worsen and act to further decrease planted area. FAS/Mexico was unable to confirm whether or not this planted area fluctuation was the result of uprooting of trees. The average size of a peach orchard in Chihuahua is approximately 18 to 20 hectares, while in the rest of the peach-growing states orchards average around 4 hectares.

**TABLE I**

| Fresh Peaches | 01/1999 | 01/2000 | 01/2001 | 01/2002 | 01/2003 | 01/2004 |
|---|---|---|---|---|---|---|
| ( Ha, MT ) | | | | | | |
| Area Planted | 45,954 | 46,906 | 42,248 | 44,591 | 42,445 | 42,175 |
| Production | 126,111 | 147,211 | 175,752 | 185,014 | 169,096 | 187,700 |

Over sixty-six percent of the peaches produced in Mexico are grown in the states of Zacatecas, Michoacan, Mexico, and Chihuahua. The states of Zacatecas, Michoacan and Mexico produce mainly yellow cling peaches, and the state of Chihuahua produces mainly freestone peaches. Chihuahua is the only state that produces peaches on irrigated land.

The harvest season for Michoacan goes from February to June; the Zacatecas harvest begins at the end of July and ends in October; and Chihuahua harvests from June to September/October. Mexico does not produce nectarines on a commercial basis. All nectarines present in the domestic market are imported from the United States or Chile, depending on the season.

The cost of production for peaches will vary depending on the producing zones and can range from approximately $24,000 pesos/Ha (US$2,142/Ha) in Chihuahua – a state that has high yields, due to its modern irrigation systems and advanced cultural practices -- to approximately $11,000 pesos/Ha in other non-irrigated areas. Costs of imported inputs such as fertilizers and pesticides have been increasing significantly over the last five years. For example, urea prices increased 84 percent from about $1.90 pesos/Kg (US$ 0.17/kg) in 2003 to $3.50 pesos/kg (US$ 0.29/kg) in 2004. According to growers, a further increase in some fertilizer prices is expected in MY 2005, due to higher world oil prices.

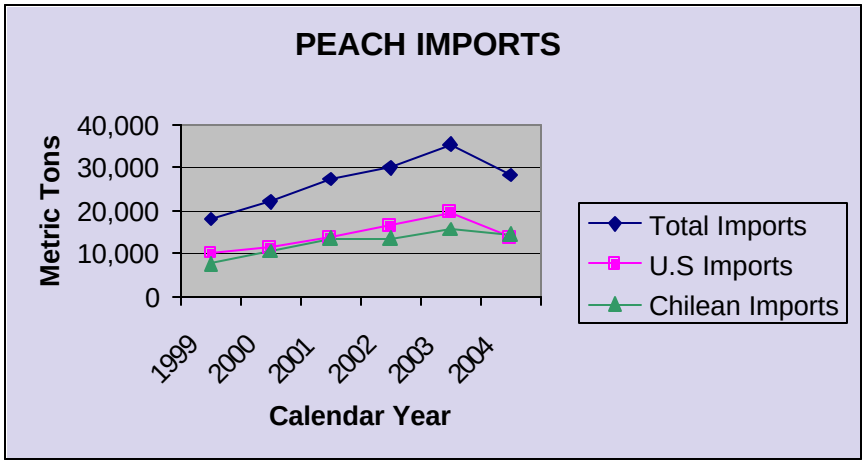
Peach yields in Mexico vary greatly depending upon variety, area, and weather conditions. The average yield for the state of Zacatecas is 2.2 MT/Ha; for the state of Michoacan it is 6.2 MT/Ha; for the state of Mexico it is 9.4 MT/Ha; and for the state of Chihuahua it is 15.2 MT/Ha. Yields in Chihuahua tend to be, on average, the highest ones in the country, due to the use of more advanced technology and irrigation.

**TRADE**

With the exception of MY 2004, fresh peach and nectarine imports into Mexico have been increasing for the last few years. To import stone fruit from the United States, the USDA/APHIS office and the Mexican SAGARPA/Plant Health office must agree annually on a workplan that outlines the phytosanitary standards and measures with which U.S. stone fruit must comply. Chilean stone fruit is also subject to an annual phytosanitary work plan. In the past, lack of agreement has led to the exclusion of certain pest mitigation measures from the annual phytosanitary workplan. This happened in MY 2004, when the absence of a systems approach work plan limited U.S. stone fruit exports to the pest mitigation measure that was agreed upon in another work plan – fumigation. Fumigation of peaches and nectarines, in particular, results in a significant deterioration in quality and appearance. The U.S. states allowed to export to Mexico under the annual U.S.-Mexico stone fruit work plan are Washington, Idaho, Oregon (for apricots) and California (for peaches, apricots, and nectarines). Normally there are two separate work plans for U.S. stone fruit – one for a systems approach and one for fumigation. U.S. stone fruit producers have to indicate which option they will follow in order to export to Mexico.

Total MY 2004 peach imports reached 28,268 MT, a 20-percent decrease from MY 2003, due to a decline in U.S. peach imports because of the lack of an agreed-upon systems approach phytosanitary workplan. In the absence of this, U.S. peaches, mainly from California, continued to be imported into Mexico, but only if they had been fumigated – a process which brought about a sizable decrease in fruit quality as well as a significant decrease in shelf life and importer demand for the damaged fruit. Total imports for MY 2005 and MY 2006 are forecast to increase slightly to 30,000 MT and 31,000 MT, respectively, as long as phytosanitary concerns do not resurface. MY 2005 imports are not forecast to reach MY 2003 levels, despite the existence of a systems approach workplan for U.S. peaches, due to the offsetting factors of a good California crop and a small Chilean crop.

**TABLE II**




| PEACHES | 01/1999 | 01/2000 | 01/2001 | 01/2002 | 01/2003 | 01/2004 |
|---|---|---|---|---|---|---|
| Total Imports | 18,060 | 22,009 | 27,413 | 30,068 | 35,370 | 28,268 |
| U.S Imports | 10,220 | 11,360 | 13,839 | 16,534 | 19,573 | 13,788 |
| Chilean Imports | 7,799 | 10,649 | 13,574 | 13,533 | 15,797 | 14,480 |

Source: World Trade Atlas

Imports from Chile have been growing steadily for the last several years (see Table II), but Chilean peaches and nectarines do not compete directly with U.S. peaches and nectarines as Chilean fruits are imported for the winter season, mainly from December to March. U.S. peaches are imported from the end of May to, approximately, the first week of November. Mexican peaches that are comparable in quality and type of variety are grown mainly in the state of Chihuahua, and compete directly with U.S. peach imports from the months of June through September. According to industry sources, some peaches are imported for the canning industry when there are short domestic supplies or the quality needed is not available. U.S. and Chilean imports have a zero duty.

Mexico exports fresh peaches to the United States from the state of Sonora, which produces very little but which is the only Mexican state allowed to export to the United States because of its status as free of Mexican fruit fly. Exports depend on a very short window of two to three weeks in the month of April; this window allows U.S. Sonoran peaches to hit the U.S. market before California peaches do. Exports for MY 2005 and MY 2006 are forecast at 600 MT, as long as good weather and international prices prevail. Exports for MY 2004 were 610 MT compared to 364 MT in MY 2003, due to the larger crop.

**CONSUMPTION**

Peach/nectarine consumption has been growing steadily for the last five years. Current demand for nectarines is the result of U.S. and Chilean exports and marketing campaigns in Mexico. As a result, consumption for MY 2005 and 2006 is forecast to grow modestly to 229,400 MT and 230,400 MT respectively. However, peaches and nectarines do face competition from domestic seasonal fruit like guavas, mangos, and bananas that are available in significant quantities and priced lower than imported peaches. Wholesale market importers indicate that peach prices tend to decrease slightly when the U.S. peaches arrive

on the market from June to August. MY 2004 peach consumption was lower than normal, due to lower import volume and lack of good quality fruit because of the adverse effects of fumigation. Total fresh volume available to consumers varies as some 20 to 30 percent of total production goes to the canning industry, depending on the volume and quality of each crop.

| PEACH WHOLESALE PRICES $US /BOX | | | | |
|---|---|---|---|---|
| MONTH | CALIFORNIA 2003 | CALIFORNIA 2004 | LOCAL 2003 | LOCAL 2004 |
| JUNE | 14.80 | 15.67 | 19.57 | 15.43 |
| JULY | 14.89 | 13.23 | 14.7 | 11.11 |
| AUGUST | 17.23 | 15.16 | 14.14 | 11.92 |
| SEPTEMBER | 13.61 | 18.06 | 11.95 | 14.315 |

Source: Grupo PM. Market Survey

**MARKETING**

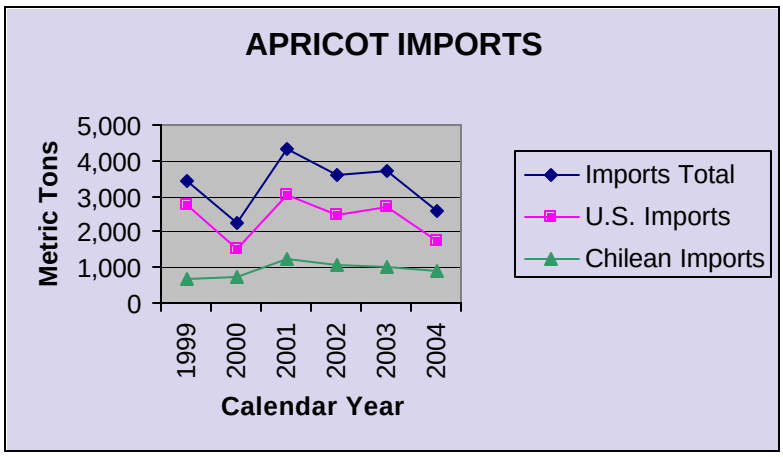
The Mexican market for imported stone fruit has been growing slowly over the past years. The states of California and Washington, the main U.S. stone fruit exporters, have been conducting marketing promotions in the Mexican wholesale markets and supermarkets to increase sales. U.S. peaches face somewhat strong competition for the Mexican market during the peak production season in Chihuahua. However, since domestic peach production is not forecast to increase significantly, there is good growth potential for U.S. peach imports, especially in the high-income segment of the market. Although some supermarkets try to import fruit directly, most of the peaches and nectarines go through the wholesale market before being sold to supermarkets and small grocery stores.

**APRICOTS**

According to official information, area planted for apricots for MY 2003 (Jan/Dec) was 512 hectares, with 389 hectares harvested and a total production of 1,720 MT. The main producer states are Sonora, which accounts for 52 percent of total production, and Zacatecas, which accounts for 25 percent of total production. The remaining 23 percent of apricot production is divided among nine other states. There is still no official production information available for MY 2004. The Mexican government does not follow apricot production as closely as it does peach production, as apricot production is still small and, as a result, statistical information is not available as often.

U.S. apricots are imported into Mexico mainly from the states of California and Washington and these represent about 70 percent of total imports. Mexico also imports apricots from Chile, which comprise the remaining 30 percent of total imports. Most Chilean fruit is imported during the winter season, so there is no direct competition with U.S. apricots, which are usually present in the domestic market from May to August.

**TABLE III**




| APRICOTS | 01/1999 | 01/2000 | 01/2001 | 01/2002 | 01/2003 | 01/2004 |
|---|---|---|---|---|---|---|
| Total Imports | 3,435 | 2,235 | 4,303 | 3,580 | 3,680 | 2,605 |
| U.S. Imports | 2,769 | 1,490 | 3,045 | 2,495 | 2,671 | 1,724 |
| Chilean Imports | 648 | 726 | 1,258 | 1,085 | 1,009 | 881 |

Source: World Trade Atlas

Apricots are included under the stone fruit phytosanitary work plan, as are peaches and nectarines (see Peaches, Trade). Due to the lack of a systems approach pest mitigation tool in the MY 2004 phytosanitary work plan, California apricots imported into Mexico had to be fumigated, resulting in significant deterioration of fruit quality and a 29-percent decrease in overall MY 2004 apricot exports compared to MY 2003. Imports for MY 2005 and MY 2006 are forecast to increase slightly as long as phytosanitary concerns do not resurface.

Since only one third of the total apricot supplies are of domestic origin, total consumption depends largely on imported fruit from the United States and Chile. Consumption for MY 2005 and MY 2006 is expected to increase due to good demand, however, as with peaches, apricots compete with domestic seasonal fruit like guavas, mangos, and bananas which are available in significant quantities and priced lower than imported apricots. MY 2004 apricot consumption was lower than normal, due to the lack of a systems approach pest mitigation tool in the phytosanitary work plan and the resulting lower import volume and lack of good quality fruit.

Apricots from California, imported from May to July 2004, were initially imported at US$12.40 per 11-kg box at the wholesale market, but due to the lower quality and unsightly appearance caused by the fumigation process, price was adjusted downwards to US$7.40 per box. In contrast, Chilean apricots in the wholesale market ranged from US$14.54 to $19.09 per 9-kg box from December 2003 to January 2004, while Washington state apricots imported from July to August 2004 were about US$9.65 per 4-kg box. Import duties for apricots from the United States and Chile are zero. Apricot prices are not followed regularly by the National Service of Market Information (SNIIM) of Mexico's Ministry of Economy.

California and Washington states, the main exporters of apricots, have been doing marketing promotions in the Mexican wholesale markets and supermarkets to increase sales. California has an advantage in this market, given its proximity and larger volume of production.

Additionally, competition from the local market is not strong at all. As with peaches, phytosanitary issues continue to cause concern.

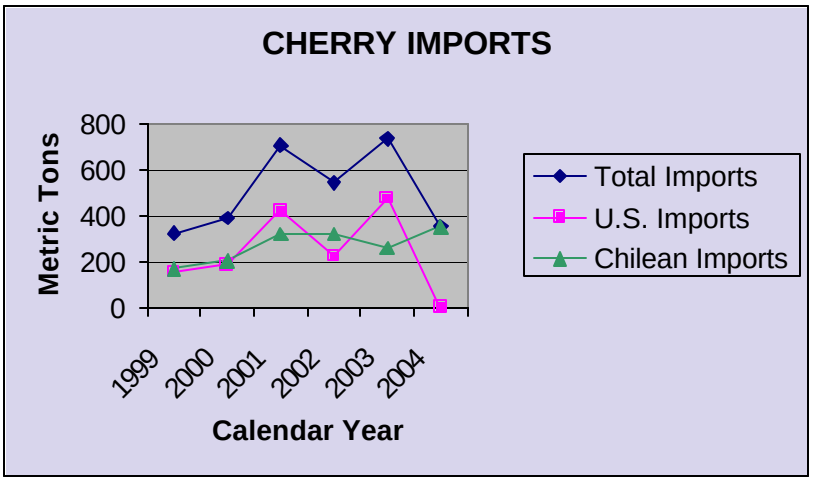
**CHERRIES**

According to official information, MY 2003 cherry planted area is about 21 hectares in the state of Sonora. No cherry production was officially reported for MY 2002 or MY 2003. There is no information available for 2004. The Mexican government does not follow cherry production very closely and statistical information is not often available.

As with other stone fruit, U.S. cherries must comply with the requirements of an annual phytosanitary work plan in order for cherries to be imported into Mexico. The U.S. states covered under this work plan include California, Washington, Idaho, and Oregon. U.S. MY 2004 cherry exports were zero, due to the lack of an agreed-upon work plan. U.S. MY 2005 cherry exports are expected to increase to MY 2003 – or 479 MT -- as a phytosanitary work plan for this season is already in place. U.S. cherry exports for MY 2006 are also expected to be at this level, assuming a work plan is in place. Cherries from Chile do not compete directly with U.S. cherries, since Chile exports during the winter season.

Domestic consumption depends totally on imported product mainly from the U.S. and Chile. Consumption for MY 2005 and MY 2006 is expected to increase due to good demand. Consumption for MY 2004 was low as there were no cherries imported from the United States, due to the lack of an agreed-upon phytosanitary work plan.

**Table IV**




| CHERRIES | 01/1999 | 01/2000 | 01/2001 | 01/2002 | 01/2003 | 01/2004 |
|---|---|---|---|---|---|---|
| Total Imports | 327 | 394 | 711 | 548 | 740 | 355 |
| U.S. Imports | 156 | 189 | 424 | 226 | 479 | 0 |
| Chilean Imports | 170 | 205 | 322 | 322 | 261 | 355 |

Source: World Trade Atlas

California and Washington states are the main U.S. cherry exporters and have been doing marketing promotions in the Mexican wholesale markets and supermarkets to increase sales. There is no competition from local markets. The main concern for U.S. cherry exports continues to be phytosanitary issues.

## SECTION II. STATISTICAL DATA

### Fresh Peaches PS&D

| MEXICO | | | | | | |
|---|---|---|---|---|---|---|
| Fresh Peaches & Nectarines | | | | (HA)(1000 TREES)(MT) | | |
| | 2004 Revised | | 2005 Estimate | | 2006 Forecast | |
| | USDA Official [Old] | Post Estimate [New] | USDA Official [Old] | Post Estimate [New] | USDA Official [Old] | Post Estimate [New] |
| Market Year Begin | 01/2004 | | 01/2005 | | 01/2006 | |
| Area Planted | 0 | 42175 | 0 | 41000 | 0 | 41000 |
| Area Harvested | 0 | 37373 | 0 | 36700 | 0 | 37000 |
| Bearing Trees | 0 | 0 | 0 | 0 | 0 | 0 |
| Non-Bearing Trees | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Trees | 0 | 0 | 0 | 0 | 0 | 0 |
| Commercial Production | 0 | 187700 | 0 | 200000 | 0 | 200000 |
| Non-Comm. Production | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL Production | 0 | 187700 | 0 | 200000 | 0 | 200000 |
| TOTAL Imports | 0 | 28268 | 0 | 30000 | 0 | 31000 |
| TOTAL SUPPLY | 0 | 215968 | 0 | 230000 | 0 | 231000 |
| Domestic Fresh Consump | 0 | 215358 | 0 | 229400 | 0 | 230400 |
| Exports, Fresh Only | 0 | 610 | 0 | 600 | 0 | 600 |
| For Processing | 0 | 0 | 0 | 0 | 0 | 0 |
| Withdrawal From Market | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL UTILIZATION | 0 | 215968 | 0 | 230000 | 0 | 231000 |
| | | | | | | |

**Trade Matrixes**

| PEACHES & NECTARINES H.S. 0809.30 | | UNITS: THOUSAND METRIC TONS | |
|---|---|---|---|
| EXPORTS FOR MY 2003 (Jan/Dec) TO: | | IMPORTS FOR MY 2003 (Jan/Dec) FROM: | |
| U.S. | 350 | U.S. | 19,573 |
| OTHER | | OTHER | |
| | | | 15,797 |
| TOTAL OF OTHER | 1 | TOTAL OF OTHER | 15,797 |
| OTHERS NOT LISTED | 1 | OTHERS NOT LISTED | 0 |
| GRAND TOTAL | 352 | GRAND TOTAL | 35,370 |

| PEACHES & NECTARINES H.S. 0809.30 | | UNITS: METRIC TONS | |
|---|---|---|---|
| EXPORTS FOR MY 2004 (Jan/Dec) TO: | | IMPORTS FOR MY 2004 (Jan/Dec) FROM: | |
| U.S. | 594 | U.S. | 13,788 |
| OTHER | | OTHER | |
| | | CHILE | 14,480 |
| TOTAL OF OTHER | 0 | TOTAL OF OTHER | 14,480 |
| OTHERS NOT LISTED | 16 | OTHERS NOT LISTED | 0 |
| GRAND TOTAL | 610 | GRAND TOTAL | 28,268 |

Source: Global Trade Information Services, Inc. "World Trade Atlas" Mexico Edition, December 2004.

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| APRICOTS H.S. 0809.10 | | UNITS: THOUSAND METRIC TONS | |
|---|---|---|---|
| EXPORTS FOR MY 2003 (Jan/Dec) TO: | | IMPORTS FOR MY 2003 (Jan/Dec) FROM: | |
| U.S. | 0 | U.S. | 2,671 |
| OTHER | 0 | OTHER | |
| | | CHILE | 1,009 |
| TOTAL OF OTHER | 0 | TOTAL OF OTHER | 1,009 |
| OTHERS NOT LISTED | 0 | OTHERS NOT LISTED | 0 |
| GRAND TOTAL | 0 | GRAND TOTAL | 3,680 |

| APRICOTS H.S. 0809.10 | | UNITS: METRIC TONS | |
|---|---|---|---|
| EXPORTS FOR MY 2004 (Jan/Dec) TO: | | IMPORTS FOR MY 2004 (Jan/Dec) FROM: | |
| U.S. | 0 | U.S. | 1,724 |
| OTHER | 0 | OTHER | |
| | | CHILE | 881 |
| TOTAL OF OTHER | 0 | TOTAL OF OTHER | 881 |
| OTHERS NOT LISTED | 0 | OTHERS NOT LISTED | 0 |
| GRAND TOTAL | 0 | GRAND TOTAL | 2,605 |

Source: Global Trade Information Services, Inc. “World Trade Atlas” Mexico Edition, December 2004.

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| CHERRIES H.S. 0809.20 | | UNITS: THOUSAND METRIC TONS | |
|---|---|---|---|
| EXPORTS FOR MY 2003 (Jan/Dec) TO: | | IMPORTS FOR MY 2003 (Jan/Dec) FROM: | |
| U.S. | 0 | U.S. | 479 |
| OTHER | | OTHER | |
| | | CHILE | 261 |
| TOTAL OF OTHER | 0 | TOTAL OF OTHER | 261 |
| OTHERS NOT LISTED | 0 | OTHERS NOT LISTED | 0 |
| GRAND TOTAL | 0 | GRAND TOTAL | 740 |

Source: Global Trade Information Services, Inc. "World Trade Atlas" Mexico Edition, December 2004.

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| CHERRIES H.S. 0809.20 | | UNITS: METRIC TONS | |
|---|---|---|---|
| EXPORTS FOR MY 2004 (Jan/Dec) TO: | | IMPORTS FOR MY 2004 (Jan/Dec) FROM: | |
| U.S. | 0 | U.S. | 0 |
| OTHER | | OTHER | |
| | | CHILE | 355 |
| TOTAL OF OTHER | 0 | TOTAL OF OTHER | 355 |
| OTHERS NOT LISTED | 0 | OTHERS NOT LISTED | 0 |
| GRAND TOTAL | 0 | GRAND TOTAL | 355 |

Source: Global Trade Information Services, Inc. "World Trade Atlas" Mexico Edition, December 2004.

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**Peach Prices**

| AVERAGE MONTHLY WHOLESALE PRICES<br>Pesos/Kilogram<br>2004 | | |
|---|---|---|
| MONTH | | |
| January | | |
| February | 12.41① | |
| March | 10.34① | |
| April | 9.25① | |
| May | 9.25① | |
| June | 10.67① | 10.00③ |
| July | | 8.33③ |
| August | | 9.60③ |
| September | 9.76② | 12.57③ |
| October | 10.14② | 12.86③ |
| November | | |
| December | | |
| Origin: ① Michoacan ② Zacatecas ③ Chihuahua | | |
| CIF-Mexico City | | |

Source: Sevicio Nacional de Informacion de Mercados
2004 Exchange Rate Avg.: U.S.$1.00 = 11.29 pesos
March 14, 2005 Exchange Rate: U.S.$1.00 = 11.02 pesos