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Strawberries

Annual Report

2004

Approved by:
Suzanne E. Heinen
U.S. Embassy Mexico City

Prepared by:
Dulce Flores

Report Highlights:
Fresh strawberry production for MY 2004/05 is forecast at 135,000 MT, a slight decrease from last year, due to poor weather conditions. The states of Michoacan, Guanajuato and Baja California continue to be the main producers and exporters of Mexico's strawberries. Exports of both fresh and frozen strawberries are expected to continue to be low, due to poor international demand and a more limited shipping window, due to increased competition from California for the U.S. market.

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SECTION I. SITUATION AND OUTLOOK

FRESH STRAWBERRIES

PRODUCTION

Strawberry production for marketing year 2004/05 (August/July) is forecast at 135,000 MT, a 2-percent decrease from MY 2004/05 due to adverse weather conditions, including untimely rainfall. Area planted for MY 2004/05 is also forecast to decrease compared to MY 2003/04 area, as rainfall prevented planting in some areas and spoiled other areas, mainly in Michoacan. Strawberry production as well as area planted and harvested for MY 2003/04 was revised downward due to untimely rainfall during the production season. Production data for MY 2002/03 was revised upward to 144,364 MT and area planted and harvested was revised downward based on official information.

According to the industry, there has been a general trend to reduce strawberry planted area, due to low or fluctuating market prices, no access to credits, and increases in the costs of production. For example, the state of Guanajuato decreased area planted due to low market prices and high costs of production and planted area now remains at about 1,000 hectares, a 50-percent decrease in the past three years. The state of Michoacan has maintained almost the same area planted for the last three years – between 2,500 to 2,900 hectares – but prior to that strawberry planted area was significantly higher at approximately 3,700 hectares. That said, further decreases in that state have been offset due, in part, to better industry organization through the State Strawberry Council, which regulates strategies to handle harvest, packing, industrialization and commercialization of strawberries in both the domestic and international markets. Planted area in the state of Baja California, however, has remained somewhat constant, fluctuating between 600 to 900 hectares, depending on weather conditions and international prices.

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 the states of Jalisco, Aguascalientes, Mexico, Morelos, Sinaloa, Veracruz and Zacatecas. Mexico grows many strawberry varieties, including Camarrosa, Driscoll, Duran, Pacifico, Parker, Aroma, Chandler, Seascape, Pajaro, Solana, Selva, and Oso Grande. According to growers, the Camarrosa disease-resistant variety from California is planted in about 25 percent of the area in Guanajuato, and about 40 percent of the area is planted with the Chandler variety. In Zamora, Michoacan, these two varieties account for approximately 80 percent of the area planted to strawberries. The harvest season for Michoacan and Guanajuato is November-June, with peak harvest for Michoacan from November to February, and from February to April for Guanajuato. The harvest season for Baja California is January-June, with the peak harvest in March-April.

The state of Michoacan, which is the most important growing region for the winter crop, is the first one to reach the market. According to producers, approximately 70 to 80 percent of the Michoacan strawberry production goes to the processing industry and 20 to 30 percent to the fresh export and domestic market. According to the industry, there are now fewer opportunities to export to the United States during October and November because California has increased its strawberry planted area and these are marketed during the winter season. The state of Guanajuato, which is more important for the summer cycle, gets to the market after the crop from Michoacan, and receives lower prices. According to the industry, growers in Guanajuato have switched to planting crops such as broccoli, cauliflower, sorghum, wheat, or tomatoes in the areas formerly planted with strawberries. Producers indicate that approximately 40 to 50 percent of the strawberry production in Guanajuato goes to the processing industry for jams, yogurt and other food products. The state of Baja California harvests during the winter cycle and its strawberries are also marketed early in the season and therefore garner higher prices. Although some strawberries are being processed in Guanajuato, most of Baja's strawberry production goes to the fresh export market.

Strawberry yields in Mexico vary greatly depending upon variety, area, and weather conditions. Overall yields for MY 2004/05 are expected to be about 27 MT/Ha. With good weather, well-tended areas using high technology can produce as much as 60 MT/Ha. Yields in Baja California tend to be on average the highest ones and are expected to be approximately 40-50 MT/Ha.

Costs of production vary depending on the region where strawberries are planted and the type of technology that is being used. The average cost to establish a hectare of strawberries in Guanajuato is approximately 90,000 to 100,000 pesos/Ha (US$7,826 to $8,695/Ha) with advanced technology, and about 60,000 pesos/Ha ($5,218/Ha) with less quality control technology. However, this less advanced technology is not as competitive and produces lower-quality fruit and lower grower prices, which is why some small producers have stopped planting strawberries. Michoacan average production costs are approximately 110,000 to 115,000 pesos/Ha (US$9,565 to $10,000/Ha) with advanced technology, and less than 100,000 pesos/Ha (US$8,695/Ha) for less advanced technology. Advanced technology measures include drip irrigation, plastic mulch or covered tunnels to protect the crop from rain and hail, which tend to produce a better quality strawberry. The average production cost for an already established bed is approximately 46,000 to 56,000 pesos/Ha (US$4,000 to $4,869/Ha). Basic expenses include nursery establishment, field preparation, strawberry plants, fertilizers and fungicides, irrigation, and harvesting. The most expensive input has always been the strawberry plants which are imported from the United States.

All Mexican strawberries are irrigated. Labor costs are about 75 to 100 pesos/per shift (approximately 6-8 hours per shift at US$6.52 to 8.70 per shift). Some workers even want to be paid by the number of baskets picked rather than by the shift. When labor is especially scarce, strawberry producers have to pay higher wages — practically 90 to 110 pesos/shift (US$7.82 to $9.56/shift) — to attract workers. (Note: the official minimum wage for farm workers is approximately US$3.76 per day.)

Data for fresh strawberries destined for processing has been updated for all three marketing years due to more information from the industry as to how much is wasted at processing. Depending on strawberry quality, processing results in a waste of between 10 to 15 percent.

CONSUMPTION

Fresh strawberry consumption for MY 2004/05 is forecast at 53,000 MT, slightly down from MY 2003/04 consumption, due to expected higher domestic prices. The tendency is to serve the international market first, so the final consumption figure will depend on the international demand for fresh strawberries. Fresh consumption data MY 2002/03 and 2003/04 were revised downward reflecting a higher demand from the international market and the processing industry. The major challenge that U.S. exporters face 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 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.

Farmgate prices for strawberries for the fresh domestic market for MY 2004/05 are expected to be similar to MY 2003/04. Prices for MY 2003/04 were approximately $4.80 pesos/kg

(US$0.41/kg) for average quality and about $5.20 pesos/kg (US$0.45/kg) for good quality. Producers indicated, however, that farmgate prices are also influenced by the international market. Domestic market prices for MY 2003/04 were on average higher than those in MY 2002/03. Prices for the domestic market are usually higher during the export season in the winter months. Imported strawberries from the United States began in July 2004 at approximately $20.00 pesos/kg (US$1.74/kg) and increased to nearly $35.00 pesos/kg (US$3.04/kg) at the wholesale market during the end of September 2004, when there are fewer domestic strawberries available. Retail prices for the Driscoll strawberries, the most popular variety, were about $65 pesos/kg or more (US$5.65.kg) at the end of September 2004.

TRADE

The major market for Mexican strawberry exports is the United States, with smaller amounts shipped by air to Europe. However, since MY 2003/04, the winter market window for Mexico has been somewhat reduced, and there are fewer opportunities to export to the United States during the months of October and November because California has increased its area planted for that season. Fresh strawberry exports for MY 2004/05 are forecast to be 39,000 MT, the same as last year, due to low international demand. Even thought the export estimate for MY 2003/04 was revised slightly upward to 39,000 MT, it remains low compared to MY 2002/03 also because of poor international demand. MY 2002/03 exports were revised upward due to better international demand.

Imports of fresh U.S. strawberries supply the Mexican market from May through November. Imports of U.S. strawberries for MY 2004/05 are forecast to increase slightly to 11,000 MT, as a slight strengthening of the Mexican peso somewhat decreases import prices. Strawberry imports for MY 2003/04 were revised downward to 10,700 MT, due to higher prices. Imports for MY 2002/03 were revised upward due to affordable prices and stronger demand.

Under NAFTA, fresh strawberry imports from the United States are no longer subject to tariffs. Imports 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 had been growing but adverse U.S. weather conditions and a weak peso have affected imports since MY 2003/04. Although the import season begins in May, the highest volumes are imported from June through October. Traditionally, imported fruit becomes scarce by November, when imports taper off and 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. The California Strawberry Commission conducts promotional campaigns in chain stores in several Mexican cities. Additionally, wholesalers are provided with point-of-sale materials and recipes which are delivered to customers.

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 baskets and are sold at street markets or along highways.

Unfortunately, there is still limited understanding within the Mexican market as to how to care for and preserve strawberries in the stores, despite the fact that several store managers have learned how to better display, sell, and preserve strawberries through technical seminars which have been sponsored by the California Strawberry Commission in more than 30 cities.

FROZEN STRAWBERRIES

PRODUCTION

Mexican frozen strawberry production for MY 2004/2005 (Aug/July) is forecast at 49,000 MT, a decrease of 4 percent, due to lack of fresh strawberries for processing in the domestic market. Growers indicate that low international market prices for frozen strawberries in past years have driven down production of frozen strawberries, and even though demand for frozen product has now picked up, there is still not enough fresh product. Total frozen production, however, may rise if more strawberries are diverted from the fresh market. Producers indicated that this could only happen if international market prices of frozen strawberries increase.

Frozen strawberry production for MY 2003/04 was revised downward, due to lack of fresh strawberries for the processing industry and flat international demand for frozen strawberries. Frozen strawberry production for MY 2002/03 was revised upward based on available information and stronger international demand. Information on frozen strawberry production is very difficult to obtain because the Mexican government does not maintain data and industry information tends to be limited. However, industry sources did indicate that increases in costs of production for fresh strawberries have also increased production costs for frozen strawberries. The processing industry generally competes with the fresh market for fruit, with the fresh product selling at higher prices. The farmgate price for strawberries destined for processing for MY 2003/04 was approximately 4.50 to 5.00 pesos/Kg (US$0.41 to 0.45/Kg).

Aside from the state of Michoacan, growers and buyers/processors generally operate separately and there is very little integration with respect to marketing firms providing input to growers. However, in Guanajuato, the state government, growers, and agroindustry, have recently begun to work together to implement internationally recognized phytosanitary and fruit quality standards. Furthermore, some marketing companies are contemplating marketing integration with growers to have better quality and verification controls.

There are approximately 27 strawberry processing plants in Michoacan and about nine plants in Guanajuato. Some of these plants operate intermittently, due to frequent changes in ownership and problems in leasing out the facilities; other plants have closed, due to lack of affordable credit. However, some plants have survived by processing other fruits during the off-season, and still others, as, for example, those that have joint ventures, are able to obtain credit through foreign companies or 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. Most of the processed strawberries either are packed whole or sliced with sugar. The processors use a wide variety of packaging, including 50 gallon drums, 2.5 gallon containers, or consumer ready packages.

CONSUMPTION

Frozen strawberry consumption for MY 2004/05 is forecast to decrease compared to MY 2003/04, due to higher prices of frozen strawberries. As with fresh strawberries, the industry serves the international market first. However, the domestic market has begun to pay slightly better than international markets, due to a growth in demand but continued tight supplies. According to industry, annual average consumption generally ranges between 10,500 to 11,800 MT. The industry recognizes that there is a need for more advertising and campaigns to promote this product. Industry incorporates frozen strawberries in products like jams, breads and yogurts. The MY 2003/04 consumption estimate was revised upward due to fewer-than-expected exports. Consumption for MY 2002/03 was also revised upward due to increased demand and available prices. There are generally no stocks of frozen strawberries because of high storage costs.

TRADE AND MARKETING

MY 2004/05 exports are forecast at 39,000 MT, due to fewer fresh strawberries available for processing. MY 2003/04 exports are estimated at 40,700 MT for this same reason and low international prices for frozen strawberries. International market prices for CY 2003 were about US$0.48/lb, while prices for CY 2004 began at US$0.51/lb. Final export estimates for MY 2002/03 were revised upward based on available trade information.

Frozen strawberry imports are still not significant relative to the total Mexican processed strawberry market. Imports for MY 2004/05 are forecast at 400 MT as demand is not expected to be strong. Imports for MY 2003/04 were revised downward due to the unfavorable exchange rate and higher prices. Estimates for MY 2002/03 imports were revised upward, due to a stronger demand and commitments from the industry. There are no promotional campaigns for frozen strawberries in Mexico.

Under NAFTA, frozen strawberry imports are no longer subject to tariffs. Mexico charges a 20-percent duty on strawberry imports from non-NAFTA countries. The tariff classification number is 08.11.10.01.

SECTION II. STATISTICAL DATA

Fresh Strawberries Table

Country	México					
	Strawberries, Fresh				(HA) (MT)	
	2002 Revised		2003 Estimate		2004 Forecast	
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin	08/2002		08/2003		08/2004	
Area Planted	5800	5457	5800	5500	0	5100
Area Harvested	5750	5151	5750	5200	0	5000
TOTAL Production	140000	144364	140000	138000	0	135000
Imports, Fresh	11939	13834	12000	10700	0	11000
TOTAL SUPPLY	151939	158198	152000	148700	0	146000
Exports, Fresh	37782	41410	38000	39000	0	39000
Domestic Fresh Market	62957	57688	62800	53100	0	53000
For Processing	51200	59100	51200	56600	0	54000
TOTAL UTILIZATION	151939	158198	152000	148700	0	146000

Frozen Strawberries Table

Country	Mexico					
	Strawberries, Frozen				(MT)	
	2002 Revised		2003 Estimate		2004 Forecast	
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin	08/2002		08/2003		08/2004	
Deliv. To Processors	0	59100	0	56600	0	54000
Beginning Stocks	0	0	0	0	0	0
Production	51200	53200	51200	51000	0	49000
Imports	1786	1811	600	354	0	400
TOTAL SUPPLY	52986	55011	51800	51354	0	49400
Exports	41378	43357	41500	40700	0	39000
Domestic Consumption	11608	11654	10300	10654	0	10400
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	52986	55011	51800	51354	0	49400

PRICES

Average Monthly Strawberry Wholesale Prices Pesos per kilogram					
Month	2003		2004		Change %
January	12.07		13.90		15.16
February	10.21		12.58		23.21
March	10.85		10.30		(5.06)
April	11.61		14.60		25.75
May	17.70		21.30		20.33
June	18.56		19.66		5.92
July	20.95	*	20.16	*	(3.77)
August	27.84	*	28.16	*	1.14
September	33.64	*	31.98	*	(4.93)
October	32.53	*	32.00	*	(1.62)
November	31.60	*	N/A		N/A
December	13.18		N/A		N/A

SOURCE: Servicio Nacional de Informacion de Mercados
2003 Avg. Exchange Rate US$1.00=$10.79 pesos
2004 Exchange Rate September 14, 2004 US$1.00=$11.52 pesos
Note: - * represents prices for imported strawberries

TRADE MATRIXES

FRESH STRAWBERRIES

FRESH STRAWBERRIES H.S. 0810.10		UNITS: METRIC TONS	
EXPORTS FOR MY 2002/03 (August/July) TO:		IMPORTS FOR MY 2002/03 (August/July) FROM:	
U.S.	41,309	U.S.	13,834
Other		Other	0
CANADA	96		
Total of other	96	Total of other	0
Others not listed	5	Others not listed	0
Grand total	41,410	Grand total	13,834

FRESH STRAWBERRIES H.S. 0810.10		UNITS: METRIC TONS	
EXPORTS FOR MY 2003/04* (August/July) TO:		IMPORTS FOR MY 2003/04* (August-July) FROM:	
U.S.	35,679	U.S.	9,192
OTHER		OTHER	
FRANCE	21	FRANCE	3
TOTAL OF OTHER	21	TOTAL OF OTHER	3
OTHERS NOT LISTED	15	OTHERS NOT LISTED	2
GRAND TOTAL	35,715	GRAND TOTAL	9,197

SOURCE: Global Information Services, Inc "World Trade Atlas" Mexico Edition, June 2004
Note: *As of June 2004

FROZEN STRAWBERRIES

FROZEN STRAWBERRIES H.S. 0811.10		UNITS: METRIC TONS	
EXPORTS FOR MY 2002/03 (August-July) TO:		IMPORTS FOR MY 2002/03 (August-July) FROM:	
U.S.	42,229	U.S.	1,138
OTHER		OTHER	
CANADA	591	CHILE	344
TOTAL OF OTHER	591	TOTAL OF OTHER	344
OTHERS NOT LISTED	537	OTHERS NOT LISTED	329
GRAND TOTAL	43,357	GRAND TOTAL	1,811

FROZEN STRAWBERRIES H.S. 0811.10		UNITS: METRIC TONS	
EXPORTS FOR MY 2003/04*(August/July) TO:		IMPORTS FOR MY 2003/04* (August-July) FROM:	
U.S.	37,773	U.S.	213
OTHER		OTHER	
CANADA	487	CHILE	88
JAPAN	367		
TOTAL OF OTHER	854	TOTAL OF OTHER	88
OTHERS NOT LISTED	64	OTHERS NOT LISTED	53
GRAND TOTAL	38,691	GRAND TOTAL	354

SOURCE: Global Information Services, Inc "World Trade Atlas" Mexico Edition, June 2004
Note: *As of June 2004