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Mexico

Dried Fruit

Annual

2002

Approved by:

William L. Brant

U.S. Embassy Mexico

Prepared by:

D. Flores/G. Hernandez

Report Highlights:

Raisin production in MY 2002/03 is forecast to decrease to 13,200 MT, due to low profit margins and lack of credit availability forcing growers out of raisin production. Domestic demand is primarily filled by lower quality domestic and imported Chilean raisins.

Includes PSD changes: Yes

Includes Trade Matrix: Yes

Annual Report

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TABLE OF CONTENTS

SECTION I. SITUATION AND OUTLOOK	1
Economic Situation and Outlook	1
RAISIN	1
PRODUCTION	1
CONSUMPTION	2
TRADE	2
MARKETING	3
SECTION II. STATISTICAL TABLES	4
PS&D RAISINS	4
TRADE MATRIX	5
EXCHANGE RATES	6

SECTION I. SITUATION AND OUTLOOK

Economic Situation and Outlook

The spill over of the U.S. recession into Mexico has negatively affected consumer purchasing power and trade in various sectors of the economy. Although GDP growth for 2001 fell to 0.3 percent, private economists project a real GDP growth rate of 1.5 percent for 2002. These same private analysts estimate that this year's economic performance will be slow, due to inflationary pressure. Although 2002 inflation estimates are estimated to be lower than in 2001, the Government of Mexico's (GOM) early inflation estimates of 4.5 percent are now considered by private analysts to be lower than previously expected; experts are now placing inflation at 4.8 percent, based on the expectation of higher residential electrical tariffs. The Mexican oil sector has also been affected, as revenue from oil exports has fallen as a result of low international prices. During January 2002, the Mexican oil price fell to approximately US\$14.90 per barrel, under the US\$15.50 per barrel figure upon which the GOM based its budget projections. Government spending and the trade balance has been negatively impacted by the drop in oil prices. On January 1, 2002, the Mexican Congress approved the 2002 budget, which consisted of a US\$7.5 billion tax package intended to boost government revenues and reduce dependence on revenues from oil exports. Products with new special taxes include alcoholic beverages, tobacco, soft drinks, and cell phone usage.

RAISIN

PRODUCTION

The raisin production estimate for MY 2002/023 (August/July) is forecast at 13,200 MT. Growers indicated that production is expected to decrease compared to MY 2001/02, due to low prices and lack of available credit driving some growers out of business. In addition, some raisins might be diverted to the wine or juice market. Area planted for 2002/03 is also forecast to decrease compared to MY 2001/02, due to lack of credit available to growers. As in any year, the amount of grapes destined for raisin production is largely dependent on the price relationship between table grapes, wine, juice grapes and raisins. The overall average yield forecast for MY 2002/03 is 2.5 MT/ha. The raisin production estimate for MY 2001/02 was revised downward as, according to producers, the lack of credit prevented some growers from carrying out their normal fertilization and cultivation practices. Also, low domestic and international prices during MY 2000/01, resulted in less area planted for raisins. Production estimates for MY 2000/01 were revised downward based on official estimates. Producers indicated raisin production decreased, due to weather problems and low input usage in area planted. Area planted for MY 2000/01 was also revised downward based on official data.

The main raisin producing states in Mexico continue to be the northwestern states of Sonora (98%) and, to a lesser extent, Baja California (2%). The main grape varieties used for raisins in Mexico are Thompson, which accounts for about 90 percent of production, and Flame and Superior, which account for the remainder of the production. Growers state that the lack of credit and declining water availability will limit future raisin expansion. Raisins compete heavily for limited water supplies with grapes, asparagus, and olives, among other

crops. Newer, efficient irrigation methods designed to alleviate the water problem are underway in the state of Sonora.

According to producer estimates, the cost of production for unprocessed raisins for MY 2001/02 ranged from 20,000 to 27,500 pesos/ha (US\$2,171 to 2,986 /ha) in Sonora. This cost depends heavily on growers' cultural practices and costs of imported inputs. Sources indicate that electricity is a major expense, approximately 14 % of the total cost, since growers must pay the electricity costs of pumping well water for irrigation. More than 80 percent of labor for the region comes from other parts of Mexico to harvest mainly asparagus, table grapes, and raisins.

Growers recognize the importance of food safety and have embraced the principles of the Hazard Analysis and Critical Control Points (HACCP) procedures. They have made a concerted effort to provide their workers with good sanitary working conditions and to supervise their hygienic practices.

The price of unprocessed raisins was approximately 3,000 to 4,000 pesos/MT (US\$321 to US\$428 /MT) during MY 2001/02. Similar prices for MY 2002/03 are expected, due to prevailing low domestic and international prices. The ratio of unprocessed raisins to processed raisins is approximately 5 MT to 1 MT. Processing plants sell raisins directly to the wholesale market in Mexico City at prices ranging from 7,000 to 12,500 pesos/MT (US\$748 to US\$1,337 /MT) depending on size and quality and on the amount and prices of imported raisins.

CONSUMPTION

Raisin consumption for MY 2002/03 is forecast at 18,600 MT. Final data, however, will depend on international demand. Producers indicate that consumption for 2000 and 2001 increased to 15,000 and 20,000 MT, due to the availability of lower prices for both imported and domestically grown raisins for 2000 and 2001. Consumption estimates for MY 2000/01 and MY 2001/02 were revised upward, due to higher domestic demand.

Raisin processors prefer to sell their higher quality product for export, even if the export price is lower than the domestic price, because they receive payment on delivery. After selling the highest quality raisins to the export market, Mexican processors then import lower quality raisins for the domestic market. Wholesale prices in Mexico City for the best quality raisins for MY 2001/02 were approximately US\$10.00 /10 kg box, compared to US\$9.00 /10 kg box of Chilean raisins. If large import volumes from Chile continue, prices are expected to be similar for MY 2002/03. By the Christmas season, industry sources expect wholesale prices to increase to between US\$11 and US\$12/10 kg box. Bakeries and food processors are expected to remain the largest consumers of raisins. Christmas and Holy Week are the most important consumption periods for raisins. Usually the Mexican industry holds virtually no stocks because of high storage costs. However, industry will have to absorb some storage costs, due to slow demand in 2001/02 resulting in some inventories which must be held before being sold later during the same marketing year.

TRADE

Mexican raisin exports for MY 2002/03 are forecast be very similar to those of MY2001/02, due to expectations of continued low prices. The raisin export estimate for MY 2001/02 was revised downward because of lower international demand. Export data for MY 2000/01 was revised downward based on official trade data. Mexican export prices for MY 2001/02 began low at approximately US\$0.46/lb in September 2001. Export prices for MY 2000/01 were also low, ranging from US\$0.45 to US\$0.52 /lb. In previous years, raisin export prices have ranged

from US\$0.65 to US\$0.72 /lb. The highest quality production is usually exported, mainly to the United States, and the rest is packaged for domestic consumers or used as food ingredients by the domestic baking and food processing industries.

Raisin imports for MY 2002/03 are forecast at 11,400 MT, due to the expectation of continued low prices. Raisin import estimates for MY 2000/01 and 2001/02 were revised upward based on Mexican trade data. Traders indicated that lower quality imports generally fill the void left by lower domestic production and raisin exports. Mexican producers maintain that low-quality, low-priced Chilean imports are being dumped on the Mexican market. According to Mexican trade data, imported Chilean raisins have averaged US\$0.42/lb., while U.S. imported raisins averaged US\$0.70/lb. for MY 2001/02. Low Chilean raisin prices have spurred imports of raisins. Wholesalers indicated that Chile is still the main raisin supplier to the Mexican market and that the price of Chilean raisins could be increased to that of domestic raisins, despite their low quality. According to Mexican official data, imports from Chile accounted for approximately 86 percent of total imports in 2000 and 2001.

Imported raisins, other than from the United States and Chile, have an import tariff of 23 percent. Under the North American Free Trade Agreement (NAFTA), both Mexico and the United States allow raisins to enter duty-free. The classification number is 0806.20.01. Although U.S. raisins compete with Chilean raisins in the Mexican market, importers agree that more Chilean raisins are imported because of their low prices. Chilean raisins also enter duty-free.

MARKETING

There are nine raisin processing plants in the state of Sonora. These processing plants commonly export the highest quality raisins and sell the remaining production to the domestic wholesale market. Raisins are marketed in 10 Kg boxes, but the wholesaler will repackage them in one-half and one kilogram bags according to customer request. There is almost no demand for individual raisin packages in Mexico. Since there are not enough warehouses to store the product throughout the year, the domestic market for raisins is usually saturated right after production time (September through October) and shortages arise later in the marketing year. Mexico usually begins to import Chilean raisins during February. In Mexico, wholesalers distribute most of the raisins to bakeries, food processors, and retail outlets. Imported raisins also come in 10 Kg boxes and are imported by wholesalers. Depending on quality, raisins have a shelf life of approximately six months to a year.

SECTION II. STATISTICAL TABLES

PS&D RAISINS

PSD Table						
Country	Mexico					
Commodity	Raisins				(HA) (MT)	
	Revised 2000		Preliminary 2001		Forecast 2002	
	Old	New	Old	New	Old	New
Market Year Begin	08/2000		08/2001		08/2002	
Area Planted	6400	5400	6100	5200	0	5100
Area Harvested	6400	5400	6100	5200	0	5100
Beginning Stocks	0	0	0	0	0	0
Production	16000	13000	15000	13500	0	13200
Imports	8000	11186	7000	11200	0	11400
TOTAL SUPPLY	24000	24186	22000	24700	0	24600
Exports	7500	4728	9000	6000	0	6000
Domestic Consumption	16500	19458	13000	18700	0	18600
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	24000	24186	22000	24700	0	24600

TRADE MATRIX

RAISINS		UNITS: METRIC TONS	
EXPORT FOR 2000 TO:		IMPORTS FOR 2000 FROM:	
U.S.	4,137	U.S.	1,303
OTHER		OTHER	
GUATEMALA	578	CHILE	9,065
HONDURAS	112	TURKEY	80
TOTAL OF OTHER	690	TOTAL OF OTHER	9,145
OTHER NOT LISTED	101	OTHER NOT LISTED	37
GRAND TOTAL	4,928	GRAND TOTAL	10,485

Source: Global Trade Information, World TradeAtlas, Mexico Edition, October 2001.

RAISINS		UNITS: METRIC TONS	
EXPORT FOR 2001* TO:		IMPORTS FOR 2001* FROM:	
U.S.	3,799	U.S.	1,302
OTHER		OTHER	
GUATEMALA	277	CHILE	7,774
HONDURAS	100	TURKEY	66
TOTAL OF OTHER	377	TOTAL OF OTHER	7,840
OTHER NOT LISTED	122	OTHER NOT LISTED	1
GRAND TOTAL	4,298	GRAND TOTAL	9,143

Source: Global Trade Information, World TradeAtlas, Mexico Edition, October 2001.

* As of November 2001.

EXCHANGE RATES

MONTHLY EXCHANGE RATE AVERAGES			
	1999	2000	2001
January	10.13	9.02	9.76
February	10.01	9.43	9.70
March	9.75	9.28	9.60
April	9.43	9.37	9.33
May	9.38	9.50	9.14
June	9.53	9.81	9.09
July	9.37	9.43	9.15
August	9.38	9.27	9.12
September	9.33	9.33	9.40
October	9.52	9.52	9.45
November	9.40	9.50	9.25
December	9.38	9.44	9.16
Annual Avg.	9.55	9.40	9.35

Source: Diario Oficial (Federal Register)

Note: Monthly rates are averages of daily exchange rates from the Banco de Mexico.