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Mexico

Dried Fruit

Raisin Production for MY 1998/99 is Forecast to Increase.

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Report Highlights:

Raisin production is forecast to increase for MY 1998/99. Thus, imports are expected to be less than MY 1997/98 due to a larger domestic supply.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
Annual Report
Mexico [MX1], MX

Executive Summary

Mexican raisin production is forecast to increase to approximately 22,000 MT for MY 1998/99 (August/July). Therefore, raisin exports are expected to increase to about 10,000 MT. Imported raisins are forecast to be less than MY 1997/98 imports due to larger domestic supplies. For required imports, the United States will have to compete with Chile on price.

Asia's financial problems have negatively effected the Mexican economy. Consumer purchasing power, which had been recovering from the 1994 peso devaluation, faces renewed challenges. Lower international oil prices have slowed economic growth, reduced the peso's value, and forced the Mexican government to reduce expenditures. The peso slid from 8.80 pesos/US\$1.00 in July to approximately 10.50 pesos/ US\$1.00 in September. The private sector is forecasting an inflation rate of more than 15 percent for 1998, up from previous estimates of 12 percent.

Production

(Hectares) (Metric Tons)

PSD Table						
Country:	Mexico					
Commodity:	Raisins					
		1996		1997		1998
	Old	New	Old	New	Old	New
Market Year Begin		08/1996		08/1997		08/1998
Area Planted	5000	6750	5000	7000	0	7100
Area Harvested	5000	6750	5000	7000	0	7100
Beginning Stocks	0	0	0	0	0	0
Production	13000	16000	19000	18000	0	22000
Imports	8000	8000	5000	7000	0	5000
TOTAL SUPPLY	21000	24000	24000	25000	0	27000
Exports	9000	10000	12000	8000	0	10000
Domestic Consumption	12000	14000	12000	17000	0	17000
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	21000	24000	24000	25000	0	27000

The Mexican raisin production estimate for MY 1998/99 (August/July) is forecast at approximately 22,000 MT. Growers indicated that production is expected to increase compared to MY 1997/98 because of favorable international prices and weather conditions during the growing season. Also, production increased because some grapes destined for the fresh market or the wine and juice market were diverted to the raisin market due to quality problems and financial difficulties. In any year, the amount of grapes destined for raisin production is in great part a result of the price relationship between table grapes, wine and juice grapes and raisins. Sources indicate that some unprocessed raisins were exported to the United States to be processed. Raisin quality, however, is expected to be lower during MY 1998/99 because of heavy rains and higher than normal moisture during the drying season. Yields vary from one producer to another depending on cultural practices and weather conditions. The overall average yield for MY 1998/99 is forecast to increase to 3.0 MT/Ha from 2.5 MT/Ha during MY 1997/98. Although we revised MY 1997/98's raisin production downward slightly to 18,000 MT, according to recent information, it still is more than MY 1996/97's production.

In the past, it was very difficult to obtain raisin production and planted area data, and we relied on several private sources. Recently, however, the Secretariat of Agriculture (SAGAR) began publishing statistical data for raisins in its 1997 annual publication. Now that there is information available and following the policy of using official numbers for our historical data, we have thus changed the PS&D's for MY 1996/97 for area planted, area harvested, and production based on SAGAR's data. There is no earlier breakdown available.

Area planted and harvested for MY 1997/98 was revised upward to 7,000 Ha based on SAGAR's new data and

because growers in Sonora indicated that area increased slightly. Planted and harvested area for raisins for MY 1998/99 is not expected to grow much because of high production costs and limited water availability. Water for this production area comes from somewhat depleted aquifers. Thus, the forecast for area planted and harvested is placed at 7,100 Ha.

The main raisin producing states in Mexico are Sonora (98%) and to a lesser extent Baja California (2%). The main varieties for raisins in Mexico are Thompson, accounting for about 90 percent of production, Flame and Superior, accounting for the rest of the production.

According to SAGAR estimates, the cost of production for raisins for MY 1997/98 was 18,188 pesos/Ha (US\$1,765.82 /Ha) in Sonora. However, the cost depends heavily on the growers' cultural practices and costs on imported inputs. Sources indicate that electricity is a major expense because growers get most of their irrigation water from wells and therefore they must pay the pumping costs. The private sector is forecasting an inflation rate of more than 15 percent for 1998, up from previous estimates of 12 percent. This increase in the inflation rate could impact costs of production for raisins for MY 1998/99.

Farm gate prices for raisins for MY 1998/99 range from 5,000 to 7,000 pesos/MT (US\$485 to US\$680 /MT). Processing plants sell raisins directly to the wholesale market in Mexico City at prices ranging from 11,000 to 13,000 pesos/MT (US\$1,068 to US\$1,262 /MT), about 18 percent higher than MY 1997/98.

Consumption

According to data, raisin consumption has grown in the past two years. Sources indicate that the industry had raised consumption gradually. Domestic consumption of raisins for MY 1998/99 is forecast at 17,000 MT. This high consumption is forecast due to the reported production of lower quality of raisins that will result in lower exports to the United States. Thus, the domestic market is expected to absorb the raisins that cannot be exported. According to growers, the U.S. crop was higher than expected in MY 1997/98, thus lowering international prices and Mexican exports. Consumption for MY 1997/98 has been revised upward because without the opportunity to sell to the export market, domestic supply increased which caused lower prices. Domestic consumption for MY 1996/97 has been revised upward based on SAGAR's information.

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. Export prices for MY 1998/99 are reportedly good -- ranging from US\$0.60 to US\$0.64 /lb. In MY 1997/98, prices went from a high of US\$0.69 down to US\$0.52 /lb. Wholesale prices in Mexico City for the best quality raisins for MY 1998/99 range from 11.00 pesos/Kg to 13.00 pesos/Kg (US\$0.48 to US\$0.57 /lb.). Sources indicate that as of this writing (October 1998) the market is slow. The wholesale market expects to sell at higher prices -- 14.00 to 16.00 pesos/Kg (US\$0.61 to US\$0.70 /lb.) -- by January 1999. Bakeries and food processors are expected to remain the largest consumers of Mexican raisins. Christmas and Holy Week are the most important consumption periods for raisins.

Stocks

Usually, there are no stocks in Mexico because of high storage costs.

Trade

Mexican raisin exports for MY 1998/99 are forecast at 10,000 MT. Although the volume is higher compared to MY 1997/98 exports, the quality of those exports is expected to be lower than normal because of higher than normal moisture and heavy rains during the drying season. The highest quality production is expected to be exported, mainly to the United States, and the rest will be packaged for domestic consumers or used as a food ingredient by the domestic baking and food processing industries. Exports for MY 1997/98 were revised downward based on official sources. According to growers, the U.S. crop was higher than expected, thus lowering international prices for exports. Exports for MY 1996/97 were revised upward based on official information.

Imports of raisins for MY 1998/99 are forecast at 5,000 MT, lower than MY 1997/98 levels because of an expected larger domestic supply. Imports for MY 1997/98 were revised upward to 7,000 MT based on official data. Wholesalers indicated that Chile is still the main raisin supplier to the Mexican market. Imported Chilean raisins could be priced the same as domestic raisins, despite lower quality characteristics.

Trade number reported by the Mexican government differ from those reported by the United States census.

TRADE MATRIX

<i>EXPORTS FOR 1997 TO:</i>		<i>IMPORTS FOR 1997 FROM:</i>	
	METRIC TONS		METRIC TONS
U.S.	4,683	U.S.	3,167
<i>OTHER</i>		<i>OTHER</i>	
GUATEMALA	420	CHILE	4,048
BRAZIL	183	AFGHANISTAN	1,087
CANADA	38		
<i>TOTAL OF OTHER</i>	641	<i>TOTAL OF OTHER</i>	5,135
<i>OTHER NOT LISTED</i>	101	<i>OTHER NOT LISTED</i>	593
<i>GRAND TOTAL</i>	5,425	<i>GRAND TOTAL</i>	8,895

Source: June, 1998. Global Trade Information Services, Inc.

Policy

Imported raisins, other than from the United States and Chile, have an import tariff of 20 percent. The classification number is 0806.20.01. Under the North American Free Trade Agreement (NAFTA), both Mexico and the United States assess zero tariff for raisins.

Although U.S. raisins will be able to compete with Chilean raisins, importers agree that more Chilean raisins could be imported because of their low prices. Raisins from both countries are assessed a zero percent tariff.

Marketing

There are nine raisin processing plants in Sonora, the major producing area. These processing plants commonly export the highest quality raisins and directly market the remaining production to the domestic wholesale market. 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. They normally do not store large quantities of raisins for very long because warehouse space is difficult to find.

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USEFUL MEXICAN WEB SITES

Mexico's equivalent of the Department of Agriculture (SAGAR) can be found at www.sagar.gob.mx and Mexico's equivalent of the Department of Commerce (SECOFI) can be found at www.secofi.gob.mx. These web sites are mentioned for the readers' convenience but USDA does NOT in any way endorse, guarantee the accuracy of, or necessarily concur with the information contained on the mentioned sites.