



Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Scheduled Report - public distribution

Date: 9/15/1998

GAIN Report #MX8106

Mexico

Cocoa

Mexico's Cocoa Production Increases Slightly in 1998

Approved by:

Franklin D. Lee

U.S. Embassy, Mexico City

Drafted by:

Sal Trejo

Report Highlights:

Cocoa ending stocks will continue to dampen cocoa bean and product imports, particularly chocolate candy in coming years. However, Mexico should continue to be a strong market for other U.S. confectionary products to higher income Mexicans.

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

Executive Summary

Mexico's cocoa bean production is forecast to increase slightly in MY 1998/99 (October-September), due mainly to improved production from new bearing trees planted in Chiapas during the late 80's and early 90's. Due to increased input costs, cocoa producers reduced their purchases of inputs such as fertilizers, pesticides and insecticides during January-April 1998. The production estimate for MY 1997/98 has been revised downward because of the devastating effects of the hurricanes in late 1997 and early 1998 that hit Chiapas and Tabasco, two of Mexico's most important cocoa regions. The production estimate for MY 1996/97 has also been revised downward, reflecting final government figures.

Considering Mexico's current economic situation total imports for MY 1998/99 are forecast to remain unchanged from the previous year because consumers' purchasing power is uncertain at this time. Estimates for total imports for MY 1997/98 have been revised downward from our previous estimate because imported cocoa product prices increased. Total imports for MY 1996/97 have been revised downward to reflect more recent government figures.

Exports for MY 1998/99 have been forecast to remain the same as those of MY 1997/98. Total estimated exports for MY 1997/98 have been revised downward because the delayed onset of the rainy season reduced production. Total exports for MY 1996/97 have been revised downward to reflect final government figures.

Estimated chocolate consumption for MY 1997/98 remains unchanged from our previous estimate due to the current Mexican economic slump and peso devaluation fueled by the Asian economic crisis. Although retail prices are expected to increase slightly because input costs have increased, consumption is forecast to remain stable for MY 1998/99 because of the expected improvement of the economy in the short term and population growth. MY 1996/97's consumption estimate remains unchanged and reflects final government figures.

With low international prices, Mexican cocoa bean production will likely meet future domestic demand in the medium run. As a result, ending stocks will continue to dampen cocoa bean and product in the coming years, particularly chocolate candy. Nevertheless, upper income Mexicans will continue to buy U.S. confectionary products.

Production

(1000 HA) (1000 TREES) (MT)

PSD Table						
Country:	Mexico					
Commodity:	Cocoa Beans					
		1997		1998		1999
	Old	New	Old	New	Old	New
Market Year Begin		10/1996		10/1997		10/1998
Area Planted	72	72	72	72	0	72
Area Harvested	0	0	0	0	0	0
Bearing Trees	38000	38000	38200	38200	0	38200
Non-Bearing Trees	900	900	700	700	0	700
TOTAL Tree Population	38900	38900	38900	38900	0	38900
Beginning Stocks	18616	18616	20093	20412	0	19172
Main Production	21500	24350	22500	24500	0	24750
Mid & Other Production	17550	13500	19500	13750	0	14000
TOTAL Production	39050	37850	42000	38250	0	38750
Bean Imports	0	0	0	0	0	0
Liquor & Paste Imports	21	24	10	20	0	20
Butter Imports	45	43	40	40	0	40
Powder,Cake,Choc. Imp.	26772	23888	25000	24000	0	24000
TOTAL Imports	26838	23955	25050	24060	0	24060
TOTAL SUPPLY	84504	80421	87143	82722	0	81982
Bean Exports	11320	7415	12000	7500	0	7500
Liquor & Paste Exports	0	0	50	50	0	50
Butter Exports	3091	2636	3500	3500	0	3500
Powder,Cake,Choc. Exp.	7500	7458	9000	9000	0	9000
TOTAL Exports	21911	17509	24550	20050	0	20050
Domestic Consumption	42500	42500	43500	43500	0	43500
Ending Stocks	20093	20412	19093	19172	0	18432
TOTAL DISTRIBUTION	84504	80421	87143	82722	0	81982

Cocoa bean production for MY 1998/99 is forecast to increase due to expected favorable weather and entrance of new bearing trees. Poor flowering and lower than expected production from new bearing trees will likely decrease production in MY 1997/98. For MY 1996/97 production estimates has been revised to reflect final government figures. According to industry sources, most established small and medium-sized cocoa bean farmers have sharply reduced cultural practices due to higher cost of inputs and low domestic and international cocoa bean prices.

Collecting detailed information on the cocoa industry continues to be difficult due to the National Association of Cocoa Bean Producers' (UNPC) financial problems. Currently, the Secretariat of Agriculture (SAGAR) is

responsible for gathering and releasing public information on Mexican cocoa bean production, but, according to producers, it is very limited and unreliable. FAS/Mexico bases its production estimates on private industry contacts. [Note: SAGAR releases production figures on a calendar year (January-December), not marketing year basis (October-September).]

Mexico's total area planted to cocoa remains unchanged. Most growers are reducing tree care rather than shifting to other alternative crops, but few are uprooting their cocoa trees. Renovation of old cocoa and shadow trees continues to be negligible. Intercropping production practices in Mexican cocoa bean operations have not been successful due to poor farm management.

As a result of low domestic prices and reduced gross income, growers have minimized inputs to reduce production costs. Most growers continue to use cheap fungicide solutions containing copper, lime and water to control the spread of pod rot. The UNPC and SAGAR have suspended most genetic research because of budgetary constraints.

In MY 1997/98 average yields are estimated at 531 kg/ha. Cocoa trees begin flowering in the third year and bearing in the fourth year. Commercial production begins in the 7th year and declines progressively once trees reach 20-25 years old. Common planting distance between cocoa trees is 4.5 meters, resulting in a tree density of 540 trees per hectare. Producers have extended the production cycle of aging trees through pruning.

Mexican cocoa bean quality traditionally has been very uneven. This has been more noticeable in recent years due to reduced cultural practices. The absence of a farm level grading system and obsolete equipment in many fermentation plants will likely limit quality improvements in years ahead. Low cocoa bean quality has resulted in lower prices, particularly in export markets.

The GOM, through SAGAR and the state governments of Tabasco and Chiapas, continue to provide limited aid to established small and part-time growers, who produced the majority of the Mexican cocoa. Cocoa bean sales supplement their often limited income.

Consumption

Based on industry information, post maintains the previous MY 1996/97 and MY 1997/98 consumption estimate. Consumption is forecast to remain unchanged for MY 1998/99 because of retail price increases. Most domestic chocolate manufacturers face severe liquidity problems due to reduced sales and competition from imported products.

The domestic chocolate industry buys most of the Mexican produced cocoa beans. Other buyers include bakeries, ice cream producers, and pharmaceuticals. The Mexican chocolate market is divided into three segments: candy, instant chocolate, and table chocolate (blocks). Mid-and-upper income Mexicans buy most of the candy and instant chocolate, lower income Mexicans consume most of the table chocolate.

Trade

Estimated cocoa product imports have been revised downward in MY 1996/97 to reflect GOM's final data. Estimated import needs have been revised downward for MY 1997/98 because consumption has been estimated to remain unchanged. Chocolate candy imports have been forecast to remain unchanged in MY 1998/99,

because of Mexico's current economic situation and the uncertainty of Mexican consumers' purchasing power. Processors often import cocoa powder and cake during months when domestic production is low as a means to reduce inventory costs. Domestic processors commonly import cocoa powder and cake rather than beans because of the GOM's strict phytosanitary restrictions ban cocoa bean imports.

Mexico continues to be an erratic cocoa bean and products exporter. In the past, Mexico had basically exported cocoa butter, but currently, it is more profitable to export cocoa beans. According to industry sources, cocoa butter production for export proved to be unprofitable because of high production costs and quality problems.

The United States continues to be the main export market for Mexican cocoa beans. Note that trade data for calendar year 1997 and 1998 are contained in Tables 1 thru 21 and are based on current official Mexican export and import figures by countries of destination and origin. PS&D import and export estimates are based on official GOM trade data and information from domestic traders.

Stocks

Currently, processors hold most of the stocks. Producers have been able to minimize stock levels by receiving cash for their exported cocoa beans.

Policy

The GOM works closely with the UNPC to establish the price growers receive from domestic processors. The GOM dictates that processors must buy most of the domestic production before they can import beans.

Under NAFTA, all cocoa, cocoa products and chocolates will enter Mexico duty-free on January 1, 2004. For current import duty rates please refer to the import tables of this report.

Marketing

Mexico is projected to continue being a strong market for U.S. confectionary products. Growth in U.S. chocolate candy exports to Mexico will continue because of NAFTA, adequate market promotion, and the gradual elimination of import tariffs. Mid-and-upper income Mexicans buy most of the imported chocolates.

Mexico's distribution system is effective only in urban areas. The rest of the country is still rural and distribution can be costly and logistically problematic.

Candies and chocolates are sold mainly in small retail stores. There are approximately 220,000 of these stores in the entire country. U.S. exporters should have several reliable Mexican distributors and importers if they expect to successfully deliver to these stores. Otherwise, they risk major supply and delivery problems. Very few distributors cover the entire country and fewer still distribute chocolate and candies, therefore, it is not uncommon to find U.S. companies working with several distributors (some companies have up to five different distributors). The Mexican importer or representative must be registered with the Secretary of Finance and Public Credit (SHCP) and the Commerce Secretariat (SECOFI) to export to Mexico.

Retail chains rely upon Mexican-based distributors rather than importing themselves because it allows the chains to minimize inventories, avoid investment in centralized storage, and bypass the hassles of importing.

TRADE MATRICES

Cocoa Exports (Calendar year)

Table 1 T.C. 1801.00 Cocoa Beans, whole or pieces, raw or toasted Exports (U.S. Dollars and Kgs.) 1997 1998*				
Country	Value	Volume	Value	Volume
Canada	0	0	297,000	180,000
Costa Rica	77,100	60,000	0	0
U.S.A.	8,556,339	6,457,804	6,554,148	3,853,770
Italy	1,214,739	897,767	618,003	397,507
Total	9,848,178	7,415,571	7,469,151	4,431,277

Table 2 T.C. 1803.10 Cocoa Paste, non-defatted Exports (U.S. Dollars and Kgs.) 1997 1998*				
Country	Value	Volume	Value	Volume
Spain	500	50	0	0
Guatemala	579	265	4,812	3,800
Total	1,079	315	4,812	3,800

Table 3 T.C. 1804.00 Cocoa Butter Exports (U.S. Dollars and Kgs.) 1997 1998*				
Country	Value	Volume	Value	Volume
U.S.A.	9,191,948	2,635,897	1,660,851	416,604
Total	9,191,948	2,635,897	1,660,851	416,604

Table 4
T.C. 1805.00
Cocoa Powder
Exports (U.S. Dollars and Kgs.)
1997 1998*

Country	Value	Volume	Value	Volume
Cuba	37,156	29,207	212	405
U.S.A.	32,683	15,130	20,701	18,407
Guatemala	472	340	435	500
Honduras	2,738	3,637	0	0
Switzerland	8	100	0	0
Total	73,057	48,414	21,348	19,312

Table 5
T.C. 1806.10
Cocoa powder, containing added sugar or other sweetening matter
Exports (U.S. Dollars and Kgs.)
1997 1998*

Country	Value	Volume	Value	Volume
U.S.A.	736,995	336,522	0	0
Guatemala	38,269	23,258	0	0
Honduras	36,173	19,267	0	0
Surinam	480	496	0	0
Virgin Islands	41,925	13,819	0	0
Cuba	8,368	7,580	0	0
Total	862,210	400,942	0	0

Table 6 T.C. 1806.20.01 Cocoa with added sugar equal or over 90% in weight Exports (U.S. Dollars and Kgs.) 1997 1998*				
Country	Value	Volume	Value	Volume
U.S.A.	0	0	45,745	26,033
Total	0	0	45,745	26,033

Table 7 T.C. 1806.10.99 Cocoa powder, with added sugar or other sweeteners Exports (U.S. Dollars and Kgs.) 1997 1998*				
Country	Value	Volume	Value	Volume
Belize	32,727	30,412	16,098	13,282
Cuba	17,109	12,768	19,367	12,903
Chile	11,667	10,250	0	0
El Salvador	9,336	6,635	0	0
U.S.A.	1,256,985	529,300	971,087	355,344
Guatemala	109,024	86,683	0	0
Honduras	54,493	49,295	0	0
Nicaragua	31,989	13,569	0	0
Venezuela	0	0	98,304	62,256
Others	10,975	5,257	42,685	22,474
Total	1,534,305	744,169	1,147,542	466,259

Table 8 T.C. 1806.20 Cocoa, other preparations in blocks or slabs weighing over 2 Kgs. Exports (U.S. Dollars and Kgs.) 1997 1998*				
Country	Value	Volume	Value	Volume
Argentina	26,798	19,006	0	0
Cuba	130,910	55,615	31,678	17,480
Chile	339,657	244,577	113,053	83,002
U.S.A.	184,534	146,644	22,251	725
Honduras	4,502	2,564	48,547	18,517
Surinam	61,525	85,600	0	0
Others	10,241	9,550	9,819	6,738
Total	758,167	563,556	225,348	126,462

Table 9 T.C. 1806.31 Chocolate and other preparations containing cocoa, filled Exports (U.S. Dollars and Kgs.) 1997 1998*	
--	--

Country	Value	Volume	Value	Volume
Germany	21,404	7,131	94,122	40,593
Costa Rica	135,429	42,260	35,294	22,252
Cuba	30,741	11,703	93,592	31,559
Chile	0	0	58,192	24,002
Spain	43,589	19,610	2,248	1,168
U.S.A.	3,207,863	586,750	651,904	101,093
Guatemala	76,082	23,832	0	0
Panama	120,878	47,900	0	0
Peru	361,396	148,365	0	0
Puerto Rico	0	0	39,416	11,389
Ucrania	0	0	128,304	55,800
Venezuela	40,117	5,599	53,796	12,000
Others	569,278	94,887	235,347	30,111
Total	4,606,777	988,037	1,392,215	329,967

Table 10
T.C. 1806.32
Chocolate, and other preparations containing cocoa, non-filled
Exports (U.S. Dollars and Kgs.)
1997 1998*

Country	Value	Volume	Value	Volume
Brazil	63,648	28,569	24	30
Costa Rica	57,606	21,635	27,335	12,039

Spain	2,002	2,400	64,483	33,575
U.S.A.	4,154,451	2,327,018	729,179	328,961
France	265,137	131,257	0	0
Guatemala	13,076	10,187	0	0
Honduras	35,075	18,274	7,108	2,758
Peru	35,277	13,700	0	0
Others	24,910	13,363	71,810	20,832
Total	4,669,540	2,566,403	899,939	398,195

Table 11
T.C. 1806.90
Chocolate, preparations containing cocoa, others.
Exports (U.S. Dollars and Kgs.)
1997

1998*

Country	Value	Volume	Value	Volume
South Korea	65,835	12,000	100	108
Costa Rica	100,803	41,870	37,160	9,370
Cuba	171,267	79,977	56,500	28,155
Chile	86,006	39,520	29,942	10,080

El Salvador	271,638	108,430	42,330	19,328
Spain	53,888	22,964	1,891	256
U.S.A.	2,007,764	1,226,237	619,513	397,700
Guatemala	461,967	169,921	120,471	48,991
Honduras	230,545	174,021	106,797	97,603
Nicaragua	165,251	120,993	25,604	8,871
Panama	19,013	11,973	19,166	8,769
Surinam	36,915	51,360	0	0
Turkey	46,132	23,941	0	0
Yemen	32,182	17,150	0	0
Others	263,618	47,276	5,201	3,812
Total	4,019,289	2,147,633	1,064,675	633,043

Cocoa Imports (Calendar year)

NOTE: Duty rates (D.R.) indicated are for NAFTA countries for 1998.

Table 12 T.C. 1803.10.01 - D.R. Exempt Cocoa paste, non-defatted Imports (U.S. Dollars and Kgs.) 1997 1998*				
Country	Value	Volume	Value	Volume
Ecuador	0	0	4,538	1,380
U.S.A.	48,251	13,198	0	0

Spain	16,095	7,980	7,592	2,500
Others	1,529	86	0	0
Total	65,875	21,264	12,130	3,880

Table 13
T.C.1803.20.01 - D.R. Exempt
Cocoa paste, defatted
Imports (U.S. Dollars and Kgs.)
1997 1998*

Country	Value	Volume	Value	Volume
U.S.A.	354	91	0	0
France	0	0	2255	558
Others	0	0	24	100
Total	354	91	2279	658

Table 14
T.C. 1804.00.01 - D.R. Exempt
Cocoa butter
Imports (U.S. Dollars and Kgs.)
1997 1998*

Country	Value	Volume	Value	Volume
Spain	282	240	0	0
U.S.A.	178,527	43,977	3,410	625
France	4,012	262	965	80
Singapore	0	0	4,506	750
Others	901	140	0	0
Total	183,722	44,619	8,881	1,455

Table 15
T.C. 1805.00.01 - D.R. Exempt
Cocoa powder, without added sugar or other sweeteners
Imports (U.S. Dollars and Kgs.)
1997 1998*

Country	Value	Volume	Value	Volume
Brazil	2,134,413	2,022,080	180,922	185,500
Costa Rica	231,160	382,625	43,611	20,475
Ecuador	192,684	290,053	13,824	24,000
U.S.A.	7,640,335	9,911,971	3,073,021	4,383,403
Indonesia	35,678	100,064	304,026	194,165
Malaysia	12,700	14,218	78,826	92,018
Neatherlands	723,074	498,420	335,381	219,978
Singapore	520,787	461,981	113,734	85,005
South Africa	0	0	549,784	796,975
Others	121,883	122,367	176,542	174,742
Total	11,612,714	13,803,779	4,869,671	6,176,261

Table 16
T.C. 1806.10.01 - D.R. Exempt
Cocoa powder, with added sugar equal or superior to 90 % in weight
Imports (U.S. Dollars and Kgs.)
1997 1998*

Country	Value	Volume	Value	Volume
U.S.A	8,060	4,092	839	1,219
Others	0	0	57	10
Total	8,060	4,092	896	1,229

Table 17
T.C. 1806.10.99 - D.R. 10%
Cocoa, with added sugar or other sweeteners, others.
Imports (U.S. Dollars and Kgs.)
1997 1998*

--	--	--	--	--

Country	Value	Volume	Value	Volume
Belgium	1,254	300	0	0
South Korea	9,362	3,359	12,363	4,197
U.S.A.	251,864	85,967	186,300	91,826
Italy	0	0	17,969	6,212
G.B.	28,735	10,493	17,345	4,944
Others	1,857	300	533	93
Total	293,072	100,419	234,510	107,272

Table 18
T.C. 1806.20.99 - D.R. 10%
Cocoa, other preparations in blocks or slabs over 2 Kgs. in weight
Imports (U.S. Dollars and Kgs.)
1997 1998*

Country	Value	Volume	Value	Volume
Germany	1,564	1,939	21,401	9,400
Belgium	81,028	23,925	4,834	1,437
Canada	123,784	56,720	117,226	39,440
U.S.A.	5,181,889	2,709,630	2,723,716	1,403,794
France	100,831	25,741	30,869	7,354
Switzerland	0	0	5,577	3,187
Others	3,762	1,388	1,586	1,233
Total	5,492,858	2,819,343	2,905,209	1,465,945

Table 19
T.C. 1806.31.01 - D.R. 10%
Chocolate, and other preparations containing cocoa, filled
Imports (U.S. Dollars and Kgs.)
1997 1998*

Country	Value	Volume	Value	Volume
Germany	369,906	65,209	118,434	27,773
Belgium	72,025	4,503	135,124	14,341
Canada	4,388,223	1,258,446	579,654	229,670
Costa Rica	483	52	570,093	187,336
Chile	79	20	206,429	72,314
Ecuador	194,980	30,020	32,966	6,987
Spain	331,014	58,097	33,236	6,712
U.S.A.	18,218,155	5,205,995	5,431,566	1,763,641
Italy	1,676,927	453,383	328,620	96,743
Others	373,541	70,514	186,906	24,642
Total	25,625,333	7,146,239	7,623,028	2,430,159

Table 20
T.C. 1806.32.01 - D.R. 10%
Chocolate, and other preparations containing cocoa, non-filled
Imports (U.S. Dollars and Kgs.)
1997 1998*

Country	Value	Volume	Value	Volume
Germany	62,231	20,653	33,083	5,067
Belgium	17,341	5,209	4,365	571
Brazil	60,237	15,888	23,658	6,457
Canada	1,557,267	398,392	547,014	183,886
Spain	17,787	2,877	18,434	1,003
U.S.A.	5,956,701	1,860,657	4,199,612	1,067,435
France	69,697	15,107	16,387	2,971
Switzerland	50,115	5,173	193,802	15,227

Others	28,174	4,016	18,114	2,201
Total	7,819,640	2,327,972	5,054,469	1,284,818

Table 21
T.C. 1806.90.99 - D.R.10%
Chocolate, and other food preparations containing cocoa, all others
Imports (U.S. Dollars and Kgs.)
1997 1998*

Country	Value	Volume	Value	Volume
Argentina	17,945	8,724	2,670,004	253,923
Canada	1,217,185	348,021	627,624	182,401
Spain	307,483	123,584	4,187	831
U.S.A.	7,907,700	3,293,090	4,383,235	1,801,588
France	7,079	2,976	347,677	24,760
Italy	8,564,594	802,707	401,354	98,102
Others	83,461	16,477	165,994	46,722
Total	18,105,447	4,595,579	8,600,075	2,408,327

(*) Denotes figures from January - May

NOTE: Figures are gross weight, not in bean equivalent basis.

Source: Banco de Mexico

FIND US ON THE NET

We are available at <http://www.atomexico.gob.mx>, or visit our headquarter's home page at <http://www.fas.usda.gov> for a complete selection of FAS' worldwide agricultural reporting.

FAS/MEXICO EMAIL

To reach us at FAS/Mexico City, email us at AgMexico@fas.usda.gov, ATOMexico@fas.usda.gov, or agrnl@nld.bravo.net for the newest FAS/Mexico office in Nuevo Laredo.