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Mexico

Fresh Deciduous Fruit

Slower Demand For Imported Deciduous Fruits

1999

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Report Highlights:

Demand of imported deciduous fruits is forecast to be slow due to sluggish economic growth in Mexico. Despite this situation, the United States is forecast to remain the main supplier of apples, pears and table grapes to the Mexican market.

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

Overall, reduced consumer purchasing power during 1999 is expected to reduce Mexican demand for most imported deciduous fruits. Weak international oil prices during 1998 forced the Government of Mexico (GOM) to reduce spending which dampened economic growth. The mid-1998 turmoil in the international financial markets has further destabilized the Mexican peso from 8.8 pesos/US\$1.00 in July 1998, to approximately 10.00 pesos/US\$1.00 in December 1998. Economic problems in Brazil during January 1999 has destabilized it further — it has fallen to 11.00 pesos/US\$1.00 as of this writing. Private sector sources have forecast 1999's inflation rate at 18 percent — approximately the same as 1998's rate. The GOM has forecast 1999's economic growth at only 3 percent. Despite this cloudy economic outlook, the United States is forecast to remain Mexico's main supplier of apples, pears and table grapes.

APPLES

PRODUCTION

The MY 1998 (August/July) forecast of total Mexican apple production has been lowered based on recent government estimates, which factor in the off-season production cycle and frost problems in Chihuahua, Mexico's most important apple producing state. In fact, SAGAR (Secretariat of Agriculture, Livestock and Rural Development) reduced its production estimates for Chihuahua to 197,000 MT from 220,000 MT. FAS/Mexico updated the area planted and harvested for MY 1998 based on recent government estimates.

FAS/Mexico revised upward 32 percent the MY 1997 apple production estimate (to 629,280 MT) based on final SAGAR data. FAS/Mexico, however, views that estimate as too high because, of that total, SAGAR estimated Chihuahua's production to be 400,000 MT, which is considerably more than its average production of 200,000-260,000 MT. FAS/Mexico has used the SAGAR figure for the purposes of maintaining consistent sources for the PS&D data, however, it views 475,000 MT as a more realistic estimate for total production.

Concentrated apple juice (CAJ) production estimates remain unchanged from the previous report (MX8093). Data are very difficult to obtain because the GOM does not keep them and the industry information tends to be spotty and incomplete.

CONSUMPTION AND TRADE

The forecast for MY 1998 apple consumption has been reduced to reflect decreased domestic production and lower consumer purchasing power due to the uncertain economic outlook and a continued high inflation rate. Domestic consumption for MY 1997 was revised upward based on official information. As mentioned in the production section, FAS/Mexico believes that estimate is too high but has included it herein to maintain a consistent data source.

On the trade front, U.S. exporters face stiff price competition from Chilean and Canadian apples, which often come into Mexico at less than the minimum reference price agreed to in the U.S.-Mexico apple suspension agreement (See MX8046). This creates a challenge for U.S. exporters to increase their market share. The strong U.S. dollar is another challenging factor. Mexican fruit importers will be very cautious when importing fruit

because of the currency exchange risk associated with the strengthening U.S. dollar. Also, the Mexican government recently reached an agreement with Argentina to import apples in 1999. These imports also will enter without any price restrictions and could possibly represent additional competition to U.S. products in the future. The final estimate for apple imports during MY 1997 was revised upward because the trade data show an increase of Chilean and Canadian apples imports due to the void left by reduced volume of U.S. apples. Supermarkets filled spaces previously occupied by U.S. apples with Canadian apples, Chilean apples and grapes, and other domestic fruits. Total apple imports, however, were still 27 percent less than in MY 1996.

POLICY

The 1999 duty on U.S. apples is 8 percent for the safeguard volume of 63,759.02 MT and 20 percent for any imports above the safeguard. The duty for Canadian apples is also 8 percent for the safeguard volume of 1,276.28 MT and 20 percent for any imports above the safeguard. Importers of Chilean apples must obtain a quota certificate and pay an 11.7 percent duty. Apples from other countries are subject to a 20 percent duty.

On October 22, 1998, the GOM announced a change to the phytosanitary certificates for fresh fruits imports. It now requires that the quantity/weight of the load be specified on the phytosanitary certificates. For additional information exporters should check with USDA's Animal Plant Health Inspection Service (APHIS) in the United States.

MARKETING

The U.S. is expected to continue being the main apple supplier to the Mexican market. The U.S. apple industry's continued market and in-store promotion efforts have contributed to that success. That success notwithstanding, in light of the Mexican peso's declining value making the Red and Golden Delicious varieties less affordable for many Mexican consumers, FAS/Mexico recommends expansion of promotion efforts targeted at less expensive varieties. Chilean producers have been working aggressively to penetrate the Mexican market and have introduced several varietal characteristics in an effort to target different population groups. They have been launching promotional campaigns through their distributors, and although they are not currently conducting group promotional efforts like U.S. producers, they are strongly focusing their marketing efforts and promotions on the Mexican market. Their promotion strategy focuses on price and somewhat on quality. These campaigns are designed to ensure that Chilean apples reach the maximum number of consumers at prices affordable to different sectors of the population. Although New Zealand had almost no presence during 1998, they could enter the market again in 1999 due to the higher U.S. apple prices.

Mexican consumers prefer the Red and Golden Delicious varieties more than any others. Their long shelf life give them a competitive advantage over other varieties. The Golden variety has great import potential since domestic production is limited. The Rome Beauty variety has been widely accepted by consumers, mainly for baking purposes. The Royal Gala, on the other hand, has been less attractive to consumers because it is less colorful. Mexican consumers have accepted Chilean apples because they taste similar to Mexican apples and often are cheaper than those from the United States.

PEARS

PRODUCTION

Pear production in Mexico is not very significant, therefore government data are scarce and not updated frequently. Thus the forecast for MY 1998 (July/June) remains unchanged. Area planted and harvested, as well as production, for MY 1997 have been revised to reflect final official Mexican information.

CONSUMPTION AND TRADE

Domestic supply continues to rely on imports, mainly from the United States, because Mexican pear production is minimal and not growing. Consumption data for MY 1997 were revised upward based on the most current information. The pear import estimate for MY 1997 has been revised upward slightly because Mexican consumers substituted pears for apples when imports of the latter were essentially locked out of the Mexican market prior to reaching the suspension agreement. Chilean pears are not very significant in the Mexican market because transportation costs make them more expensive than U.S. pears. Under NAFTA, the import duty on pears from both the U.S. and Chile is zero. It is important to note that the Mexican government is expecting to import pears from Argentina in 1999, and although these pears also will face high transportation costs, the Argentines may take an aggressive approach in the market.

MARKETING

The United States is expected to continue being Mexico's main supplier of pears, and U.S. producer groups should continue to expand their promotional campaigns to keep Mexican consumers informed and aware of the advantages of consuming U.S. pears. Market promotion efforts for U.S. pears continue in several Mexican cities, supermarkets and street markets. The major challenge for pears in the Mexican market is to increase consumers appreciation for new varieties. The number one pear preference among Mexicans is the Anjou variety, followed by the Bartlett variety. The remaining pear varieties are less popular. Most U.S. pears come from Washington, Oregon and California. Chilean producers do not conduct marketing or promotional campaigns in Mexico. For this reason, and higher pear prices, Chilean pears still do not represent strong competition to the U.S. industry.

TABLE GRAPES

PRODUCTION

The estimates for area planted, harvested and production for MY 1997 have been revised upward based on SAGAR's data. FAS/Mexico views SAGAR's estimates for production and area planted in the states of Zacatecas and Coahuila as high. Therefore, FAS/Mexico production estimate for MY 1997 remains at approximately 110,000 MT. SAGAR officials explained that this is only the second year that they have published this information and there could be some omissions.

CONSUMPTION AND TRADE

The consumption forecast for MY 1998 has been revised downward 24 percent based on the most recently available data, reflecting decreased consumer purchasing power and increased export demand. The MY 1997 consumption estimate has been revised upward 51 percent based on the most recent SAGAR data. As explained in the production section, however, this office considers that number is too high but has included it herein to maintain a consistent data source.

The forecast for imported grapes for MY 1998 was revised downward, based on reduced U.S. supplies and Mexico's slower economic growth. Table grape imports for MY 1997 have been revised upward slightly based on final official information. U.S. table grapes can only be imported from California due to Mexico's phytosanitary restrictions. Imports of Chilean grapes increased from 10,176 MT in 1997 to approximately 13,455 in 1998 caused in part by unfavorable weather in the United States. The MY 1998 export forecast for Mexican grapes was revised upward due to more favorable international market prices. Mexican grape export estimates for MY 1997 were also revised upward based on final official information. The U.S. and Chilean table grape production seasons differ, consequently, Chilean grapes do not compete with those from the United States. U.S. suppliers export to Mexico during January/February and August/September, before and after the Mexican season.

POLICY

Under NAFTA, the duty on U.S. table grapes imported from June 1 to October 14, 1999, is 8 percent. Imports of U.S. table grapes for October 15 to May 31 have not been subject to a duty since NAFTA's implementation.

Under the Mexico - Chile Free Trade Agreement, Chilean table grapes for 1999 will be charged a zero duty during January 1 to April 14, and June 1 to December 31. Mexican importers must obtain an import permit during the period April 15 to May 31.

MARKETING

Grape imports from the United States are forecast to exceed those from Chile again during MY 1998. The United States should continue to be the main supplier due in part to U.S. table grape exporters' market promotion efforts. The United States conducts large promotional campaigns for their grapes, while Chile currently invests very limited resources into promoting their grapes in Mexico. The Thompson seedless grape variety is the most popular grape sold in Mexico. In general, Mexican consumers have a strong preference for seedless grapes. Among the seeded varieties, Mexicans generally prefer Red Globes.

SECTION II. STATISTICAL TABLES

APPLES

Units: (HA) (K TREES) (MT)

PSD Table						
Country:	Mexico					
Commodity:	Apples					
		1996		1997		1998
	Old	New	Old	New	Old	New
Market Year Begin		08/1996		08/1997		08/1998
Area Planted	71400	71400	67500	67500	67500	67000
Area Harvested	60170	60170	62500	62500	61000	60200
Bearing Trees	13420	13420	14000	14000	13725	13545
Non-Bearing Trees	2900	2900	1315	1315	1710	1790
Total Trees	16320	16320	15315	15315	15435	15335
Commercial Production	406720	406720	455000	609280	411000	375000
Non-Comm. Production	20000	20000	20000	20000	17000	15000
TOTAL Production	426720	426720	475000	629280	428000	390000
TOTAL Imports	109000	109000	58000	80000	90000	90000
TOTAL SUPPLY	535720	535720	533000	709280	518000	480000
Domestic Fresh Consump	455720	455720	463000	639280	458000	420000
Exports, Fresh Only	0	0	0	0	0	0
For Processing	80000	80000	70000	70000	60000	60000
Withdrawal From Market	0	0	0	0	0	0
TOTAL UTILIZATION	535720	535720	533000	709280	518000	480000

PEARS

Units: (HA) (K TREES) (MT)

PSD Table						
Country:	Mexico					
Commodity:	Fresh Pears					
		1996		1997		1998
	Old	New	Old	New	Old	New
Market Year Begin		07/1996		07/1997		07/1998
Area Planted	5130	5130	5200	5185	5250	5250
Area Harvested	4900	4900	5100	5038	5100	5100
Bearing Trees	1030	1030	1070	1056	1070	1070
Non-Bearing Trees	40	40	22	30	32	32
Total Trees	1070	1070	1092	1086	1102	1102
Commercial Production	34490	34490	35000	35547	35100	35100
Non-Comm. Production	2000	2000	2000	2000	2000	2000
TOTAL Production	36490	36490	37000	37547	37100	37100
TOTAL Imports	32650	32650	49000	49500	40000	40000
TOTAL SUPPLY	69140	69140	86000	87047	77100	77100
Domestic Fresh Consump	67140	67140	84000	85047	75100	75100
Exports, Fresh Only	0	0	0	0	0	0
For Processing	2000	2000	2000	2000	2000	2000

TABLE GRAPES

Units: (HA) (MT)

PSD Table						
Country:	Mexico					
Commodity:	Fresh Table Grapes					
		1996		1997		1998
	Old	New	Old	New	Old	New
Market Year Begin		01/1996		01/1997		01/1998
Area Planted	13326	13326	13330	17873	14000	14000
Area Harvested	12978	12978	13000	17033	13700	13700
Commercial Production	100620	100620	108000	143176	115000	115000
Non-Comm. Production	3000	3000	2000	2000	2000	2000
TOTAL Production	103620	103620	110000	145176	117000	117000
TOTAL Imports	21700	21700	37000	37345	32000	30000
TOTAL SUPPLY	125320	125320	147000	182521	149000	147000
Domestic Fresh Consump	64920	64920	68000	102662	58000	44000
Exports, Fresh Only	60400	60400	79000	79859	91000	103000
For Processing	0	0	0	0	0	0
Withdrawal From Market	0	0	0	0	0	0
TOTAL UTILIZATION	125320	125320	147000	182521	149000	147000

PRICES

AVERAGE MONTHLY WHOLESALE APPLE PRICES
RED DELICIOUS
CIF Mexico City - Pesos/Kilogram

Year	Jan	Feb	Mar	Apr*	May*	Jun*
1997	8.49	8.01	7.4	7.5	7.86	8.03
1998	8.76	8.96	9.75	9.96	10.79	10.83
% cng	3.2	11.9	31.8	32.8	37.3	34.9

Year	Jul*	Aug*	Sep*	Oct	Nov	Dec
1997	7.93	7.99	7.17	6.67	7.66	8.23
1998	11.4	11.2	9.87	11.3	12.5	12.50**
% cng	43.8	40.2	37.7	69.4	63.2	51.9

* Imported apples

** As of December 11, 1998.

SOURCE: SNIM

Average Exchange Rate for 1997 USD\$1.00 = \$7.90 pesos

Exchange Rate (December 29, 1998) USD\$1.00 = \$9.88 pesos

AVERAGE GRAPE PRICES WHOLESALE MARKET / CIF Mexico City Dollars/Lb			
DATE	UNITED STATES	MEXICO	CHILE
JUNE 15		0.71	1.36
JUNE 30		0.47	1.30
JULY 15		0.63	0.94
JULY 30		0.70	0.50
AUG 15	0.60	0.64	0.48
AUG 30	0.85	0.65	
SEP 15	0.49	0.71	
SEP 30	0.61	0.58	
OCT 15	0.65	0.79	
OCT 30	0.75	0.36	
NOV 15	0.76		
NOV 30	0.83		
DEC 15	0.89		
DEC 30	0.93		1.41

SOURCE: MARKET SURVEY (GRUPO PM)

TRADE MATRIXES**APPLES**

EXPORTS FOR 1998* TO: METRIC TONS		IMPORTS FOR 1998* FROM: METRIC TONS	
U.S	0	U.S.	45,472
OTHERS		OTHERS	
EL SALVADOR	48	CHILE	25,517
BELIZE	6	CANADA	3,425
TOTAL FOR OTHERS	54	TOTAL FOR OTHERS	28,942
OTHERS NOT LISTED	0	OTHERS NOT LISTED	393
GRAND TOTAL	54	GRAND TOTAL	74,807

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

*As of September 1998

PEARS

EXPORTS FOR 1998* TO: METRIC TONS		IMPORTS FOR 1998* FROM: METRIC TONS	
U.S	6	U.S.	36,252
OTHERS		OTHERS	
GUATEMALA	4	CHILE	1302
TOTAL FOR OTHERS	4	TOTAL FOR OTHERS	1302
OTHERS NOT LISTED	0	OTHERS NOT LISTED	6
GRAND TOTAL	10	GRAND TOTAL	37560

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

*As of September 1998.

TABLE GRAPES

EXPORTS FOR 1998* TO:		IMPORTS FOR 1998* FROM:	
METRIC TONS		METRIC TONS	
U.S	30457	U.S.	6,431
OTHERS		OTHERS	
UNITED KINGDOM	1351	CHILE	13455
NETHERLANDS	620	PANAMA	197
TOTAL FOR OTHERS	1971	TOTAL FOR OTHERS	13652
OTHERS NOT LISTED	328	OTHERS NOT LISTED	9
GRAND TOTAL	32756	GRAND TOTAL	20092

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

*As of September 1998