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## Mexico

## Strawberries

# Strawberry Exports to Increase for 1998/99 1999

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### Report Highlights:

**Due to better strawberry production for MY 1998, exports of both fresh and frozen strawberries are expected to increase.**

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

**Economic Outlook:** Mexico's consumer boom during the first 10 months of 1998 slacked-off considerably in November as higher interest rates, a weakening currency and a domestic fuel price increase reduced the population's disposable income.

The volatility of international financial markets has dampened the Mexican economy. Interest rates increased and the peso weakened after Russia defaulted on some of its debt in August 1998, causing a reduction in consumer confidence and the amount of disposable income. Mexican government budget cuts of more than US\$3.3 billion last year also reduced demand in the economy. Last year's reduced oil revenues forced three budget cuts, and the 1999 budget's oil revenues were revised downward to US\$9.25 per barrel from US\$11.50.

Mexico's 1999 budget includes 1 percent monthly increases in gasoline prices. These will amount to a yearly increase of 12.7 percent for calendar year 1999. If, however, November 1998's 15 percent increase is included, gasoline prices will have increased 29.6 percent for the 13½ months period (November 1998 - December 1999). This, along with the elimination of subsidies to corn tortillas, will make the Mexican government's goal of 13 percent inflation for 1999 a major challenge.

It is expected that the economic lessons Mexico learned during the crisis of 1994, and improved fiscal and monetary policies, will help Mexico minimize the impact, without too much suffering, from the financial troubles currently affecting Brazil. Despite its relatively strong position, Mexico has some cause to worry because of its dependence on oil at a time when prices remain low. This will more than likely result in Mexico seeing only modest economic growth this year. Retail sales, for example, are expected to slow during 1999 as tighter monetary and fiscal policies reduce the amount of cash available in the economy. Consumer confidence is also slipping due to economic uncertainties and the recent turmoil in the Asian and Brazilian financial markets.

## FRESH STRAWBERRIES

### PRODUCTION

Total Mexican strawberry production for marketing year 1998/99 (August/July) is forecast at 110,000 MT, which is 43 percent higher than MY 1997 and nearer to the historical average because more normal weather conditions are expected than were experienced in 1997. Total area planted to strawberries is forecast at 6,550 ha. for MY 1998. According to growers, in the past two years area planted has increased slightly in Michoacan and Baja California, and decreased in Guanajuato. Some Guanajuato growers chose to plant in Michoacan instead of Guanajuato because they can harvest earlier and get higher prices for their crop.

The MY 1997 strawberry production estimate has been revised upward 51 percent to 85,000 MT based on updated official information, but is still below normal. Growers indicate that heavy frosts reduced Michoacan and Guanajuato production. The loss, however, was not as high as first estimated, particularly the state of Baja California, where production returned to approximately 26,300 MT compared to the 7,625 MT in MY 1996 when much of the fruit went unharvested as the result of drop in U.S. demand following the widely publicized

sanitary scare. The estimate area planted for MY 1997 has also been revised upward based on updated official data, while the estimate of area harvested has been revised downwards reflecting that season's heavy frosts. MY 1996's estimated production, area planted and area harvested all have been raised reflecting final official data.

Growers state that the lack of credit, inadequate financial incentives, and declining water availability will limit future expansion. Guanajuato and Michoacan in particular suffer from inadequate water supplies. The government in Guanajuato, however, is part of the Water Conservation and Efficient Use Program. This program educates producers on, and finances projects for, efficient water use, including converting flood irrigation to drip-irrigation, or sprinkler-jet irrigation, or floodgates. The government, the Bank of Mexico (through FIRA—the Farm Development Trust), the producers, and input suppliers all are involved in financing these projects. Other producing states are also using water more efficiently with new methods of ferti-irrigation.

Most producers are organizing themselves to improve their food safety practices. In Guanajuato, for example, the state government, growers, and agroindustry have begun to work together in a committee to bring their phytosanitary practices up to internationally recognized standards. The Committee also is working toward improving its marketing practices to improve market share. The State of Baja California also has organized producers to implement better sanitary conditions and verification controls. Furthermore, they are certified by a private company from California. Michoacan also has its own verification controls that are followed by exporting companies which have joint ventures with U.S. companies. Some producers and agroindustry also formed a group that is following the Hazard Analysis Critical Control Points (HACCP) program on strawberry production to minimize risks from the field to the processing plant. This group's activities also are verified by a California consulting group. Producers are using more and more plastic mulch to help minimize disease risks. In addition, they are controlling the use of pesticides, implementing better agricultural practices, and educating themselves on risk assessment.

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 Jalisco, Aguascalientes, Mexico, Morelos, Sinaloa, Veracruz and Zacatecas. Mexico grows many strawberry varieties. These include Camarrosa, Driscoll, Duran, Pacifico, Parker, Chandler, Pajaro, Solana, and Oso Grande. Large producers are always trying new varieties which are more suitable for regional climates. According to growers, the Camarrosa, from California, is a new disease resistant variety that is beginning to take the place of the Chandler variety. In Guanajuato, for example, the Chandler variety is planted in about 57 percent of the area, and the new Camarrosa variety already has about 25 percent of the area planted.

The harvest season for Michoacan and Guanajuato is November- June, with peak harvest for Michoacan from November to February, and a peak harvest for Guanajuato from February to April. The harvest season for Baja California is January-June, with the peak harvest in March-April.

Strawberry yields in Mexico vary greatly depending upon variety, area, and weather conditions. Given the good weather conditions in Michoacan and Guanajuato during MY 1998, yields are expected to average 17 MT/Ha, but well tended areas can produce as much as 35 MT/Ha. Yields in Baja California are higher and are expected to be as high as 35-45 MT/Ha. Some growers indicate that they are improving their cultural practices in order to increase yields.

Strawberry production costs increased for MY 1998 as a result of the rising cost of imported inputs, especially

agro-chemicals. The average cost to establish a hectare of strawberries in Guanajuato during MY 1998 was approximately 72,000 pesos/Ha (US\$7,200/Ha) about 16 percent higher than MY 1997 average costs. The average production cost for an established bed is approximately 37,300 pesos/Ha (US\$3,730/Ha). Basic expenses include nursery establishment, field preparation, strawberry plants, fertilizers and fungicides, irrigation, and harvesting. The most expensive inputs are the strawberry plants which are imported from the United States. The cost per hectare for strawberry plants (150,000 plants) is currently about 16,500 pesos (US\$1,600). All Mexican strawberries are irrigated. Labor costs also have increased from about 30 pesos to about 50 pesos (US\$3 to about \$5.00) per day. But, in Guanajuato, labor is scarce because several new industries like automobiles, steel and “maquiladoras” are hiring away farm laborers. Therefore, the strawberry producers have to pay higher wages — about \$70 to \$100 pesos/day (US\$7 to \$10/day) — to attract workers. Guanajuato’s relatively tight labor market also has been an incentive for some growers to produce in Michoacan where labor is not yet as expensive.

The overall financial situation of many strawberry farmers is still poor. They have little access to credit because commercial banks consider strawberries a very high risk crop. Consequently, growers are not increasing area planted significantly. Credit guarantees to growers from FIRA are tight due to the Government Mexico’s current fiscal constraints. FIRA, however, along with the state government and producers, are implementing the Water Conservation and Efficient Use Program mentioned above. Given this tight credit situation, brokers, processors and U.S. importers are reportedly financing some Mexican strawberry production. The average interest rate on production loans currently is about 33 percent.

The federal and state governments provide no price supports for strawberries, and all subsidies for fertilizers, electricity, pesticides and other inputs have been virtually eliminated.

## CONSUMPTION

Fresh strawberry consumption for MY 1998 is forecast at 36,000 MT. This 41 percent increase from MY 1997’s consumption estimate could vary depending on the strength of consumer purchasing power and the demand for fresh strawberries from the international market. The MY 1997 consumption estimate has been revised downward because many producers sold their limited supply to the export market. The consumption estimate for MY 1996 has been revised downward based on official Mexican information. Demand for imported strawberries has remained more or less the same over the past two years and is not expected to increase significantly. The average Mexican consumer does not discriminate between domestic and imported strawberries. The major challenge that faces U.S. exporters 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 the 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.

## PRICES

Growers and industry indicate that during MY 1997, the international market was served first, leaving a shortage of fruit for the domestic market. This situation resulted in higher domestic strawberry prices from November 1997 into April 1998. Overall, strawberry prices were slightly higher in MY 1998 than in MY 1997. Wholesale prices went from about \$13.00 pesos/Kg (US\$1.30/Kg) in November 1998 at the beginning of the season, to about \$10 pesos/Kg (US\$1.00/Kg) in January and February 1999. Imported strawberries from the

United States were about \$10 pesos/Kg (US\$1.00/Kg) in April 1998 and increased to about \$19.00 pesos/Kg (US\$1.90/Kg) at the wholesale market during August 1998 when there are almost no domestic strawberries available. Fresh strawberry export prices for December 1998 were about US\$11 per 10 lb box, and by January 1999 they were about US\$7 per 10 lb box FOB Guanajuato.

## **TRADE**

The major market for Mexican strawberry exports is the United States, with smaller amounts shipped by air to Europe. Fresh strawberry exports are forecast at 30,000 MT for MY 1998. Exports are expected to be higher relative to the previous year because production is expected to return to normal and because of increased demand from the international market. The MY 1997 export estimate was revised upward because growers preferred to sell to the international market before the domestic market. Export estimates for MY 1996 were revised upward based on the most recent official data.

Imports of fresh U.S. strawberries supply the Mexican market from May through November. Imports of U.S. strawberries are forecast at 4,000 MT for MY 1998 and are not expected to increase over MY 1997 imports due to weak consumer purchasing power and the devalued Mexican peso. The import estimate for MY 1997 has been revised downward to 4,060 MT based on official information.

## **POLICY**

Under NAFTA, fresh strawberry imports from the United States are no longer subject to tariffs. Imports by Mexico 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 has been practically the same for the past two years. The import volume, however, has been maintained with promotional campaigns in Mexico, including campaigns conducted in chain stores in about 30 cities starting in May. Wholesalers are provided with point of sale materials to be distributed among their clients. Although imports may begin in May, strong volumes are imported from June through October. Traditionally, fruit becomes scarce by November when imports taper off and before the domestic production is harvested. Given the peso-dollar instability, strawberry importers are cautious about committing too far in the future. 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. Unfortunately, the system is frequently compromised and its benefits minimized when the cartons are opened for inspection and the fruit is exposed to oxygen.

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 very limited understanding within the Mexican market as to how to take care and

preserve strawberries in the stores. Store managers have taken technical seminars in over 30 cities and learned how to better display, sell and preserve strawberries. The Mexican strawberry market still has a long way to go before there is brand recognition and the health concerns are overcome.

## **FROZEN STRAWBERRIES**

### **PRODUCTION**

Mexican frozen strawberry production for marketing year 1998/99 (Aug/July) is forecast at 48,000 MT, up approximately 33 percent from a year earlier. Growers expect that normal weather conditions during the winter of 1998/99 will bring total production back to more normal levels after the prior year's El Niño-induced frosts significantly reduced berry production. Growers and buyers/processors generally operate separately -- there's very little integration with respect to the marketing firms providing inputs to the growers. As mentioned earlier, in Guanajuato, the state government, growers, and agroindustry, have begun to work together to implement internationally recognized phytosanitary and fruit quality standards. Some marketing companies are contemplating marketing integration with growers to have better quality and verification controls. Some companies in other states have entered into joint ventures with foreign companies. Together they have implemented improved quality control. The MY 1997 production estimate has been revised upward because yields were greater than previously estimated. The MY 1996 production estimate has been revised upward based on more recent information. Information is very difficult to obtain because the government does not keep it and the industry information tends to be spotty and incomplete.

According to the industry, the cost of production for frozen strawberries for MY 1998 has increased approximately 30 percent from last year. According to the industry in Michoacan, the cost of production for a pound of frozen strawberries for MY 1998 is about US\$0.42/lb. Sugar prices increased from 4.80 pesos/Kg (US\$0.55/Kg) in MY 1997 to about 5.50 pesos/kg (US\$0.55/Kg) for MY 1998.

There are about 25 strawberry processing plants in Michoacan and about 9 plants in Guanajuato. Some of these plants operate one year and then close the next, sometimes under new owners. Also, some plants process other fruits during the off season, thereby allowing them to work all year round.

The lack of credit at affordable terms from Mexican financial institutions limits many plants' ability to expand. The plants that have joint ventures with foreign companies have access to foreign financing. Some other plants receive financing from 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 (IQF). Most of the processed strawberries are packed either whole or sliced with sugar. The processors use a wide variety of packaging, depending upon buyers' needs, including 50 gallon drums; 2.5 gallon containers; or consumer ready packages.

The processing industry generally competes with the fresh market for fruit, with the latter paying higher prices. The farmgate price in Guanajuato for strawberries destined for processing in February 1999 was approximately 5.50 pesos/Kg (US\$0.55/Kg), while the farmgate prices for the fresh market was approximately 8.00 pesos/Kg (US\$0.80/Kg). Growers and processors expect MY 1998's production will be sufficient to meet the needs of both the fresh and processing market without driving up the fruit price too much..

### **CONSUMPTION**



The MY 1998 consumption forecast is 10,700 MT which is 20 percent more than MY 1997. The industry, however, indicates that frozen strawberry consumption has not been able to grow more due to consumers' diminished purchasing power with the slide of the Mexican peso's value relative to the U.S. dollar. Consumption of products like jams, breads and yogurt that use frozen strawberry has grown very slowly. Demand for U.S. frozen strawberries has not been strong due also to a weak consumer purchasing power. There are generally no stocks of frozen strawberries because the carrying cost is very high. The frozen strawberry consumption estimate for MY 1997 have been revised upward slightly, still reflecting less available product because processors chose to sell export their product instead of sell it in Mexico. The MY 1996 consumption estimate has been revised slightly upward based on more recent information.

## **TRADE AND MARKETING**

Although the industry first expected MY 1997 frozen strawberry exports to be significantly lower than average because of limited supplies of fresh strawberries to process, this did not occur. The fresh strawberry supply was adequate, therefore, the processors had more product available to export. Frozen strawberry exports for MY 1998 are forecast at 37,500 MT, 20 percent higher than in MY 1997, due to expected good international prices and more available product. The export estimate for MY 1996 has been revised upward based on the most recent information.

Few companies have good market integration and product diversification. Growers and agroindustry, however, are looking towards integrating more to prevent the strawberry industry from growing stagnant. The industry reported for MY 1997, that frozen strawberries were sold at approximately US\$0.42-0.48/lb FOB Irapuato and Zamora. Prices for MY 1998 are expected to be slightly lower due to more available supplies. The industry is expecting frozen strawberry prices to be approximately US\$0.45/lb for MY 1998.

Frozen strawberry imports are still not significant within the Mexican market. Imports for MY 1998 are forecast at 200 MT, less than one-half of the previous year's level due to increased domestic production and because of consumers' weaker purchasing power. The import estimate for MY 1997 has been revised upward given the lack of domestic supplies that prevailed during that MY 1997. The import estimate for MY 1996 has been revised upward based on more recent information. There are no promotional campaigns for frozen strawberries in Mexico.

## **POLICY**

The 1998 NAFTA import tariff rate on frozen strawberries is 5.6 percent. Mexico charges a 20 percent duty on imports from non-NAFTA countries. There currently are no import licensing requirements for frozen strawberries. The tariff classification number is 08.11.10.01.



## SECTION II. STATISTICAL TABLES

## PS&amp;D FRESH STRAWBERRIES

Unit: Hectares/ Metric Tons

PSD Table						
Country:	Mexico					
Commodity:	Strawberries					
	1996		1997		1998	
	Old	New	Old	New	Old	New
Market Year Begin	08/1996		08/1997		08/1998	
Area Planted	6330	6360	6300	6400	0	6550
Area Harvested	6090	6126	6300	6000	0	6400
TOTAL Production	90000	98400	56000	85000	0	110000
Imports, Fresh	4000	4000	4200	4060	0	4000
<b>TOTAL SUPPLY</b>	<b>94000</b>	<b>102400</b>	<b>60200</b>	<b>89060</b>	<b>0</b>	<b>114000</b>
Exports, Fresh	13000	16400	13000	27500	0	30000
Domestic Fresh Market	48000	38000	27200	25460	0	36000
For Processing	33000	48000	20000	36100	0	48000
<b>TOTAL UTILIZATION</b>	<b>94000</b>	<b>102400</b>	<b>60200</b>	<b>89060</b>	<b>0</b>	<b>114000</b>

**PS&D FROZEN STRAWBERRY**

Unit: Metric Tons

<b>PSD Table</b>						
<b>Country:</b>	<b>Mexico</b>					
<b>Commodity:</b>	<b>Processed</b>					
	<b>1996</b>		<b>1997</b>		<b>1998</b>	
	Old	New	Old	New	Old	New
Market Year Begin	<b>08/1996</b>		<b>08/1997</b>		<b>08/1998</b>	
Deliv. To Processors	0	0	0	0	0	0
Beginning Stocks	0	0	0	0	0	0
Production	33000	48000	20000	36100	0	48000
Imports	200	230	300	540	0	200
<b>TOTAL SUPPLY</b>	<b>33200</b>	<b>48230</b>	<b>20300</b>	<b>36640</b>	<b>0</b>	<b>48200</b>
Exports	23000	37800	15000	31100	0	37500
Domestic Consumption	10200	10430	5300	5540	0	10700
Ending Stocks	0	0	0	0	0	0
<b>TOTAL DISTRIBUTION</b>	<b>33200</b>	<b>48230</b>	<b>20300</b>	<b>36640</b>	<b>0</b>	<b>48200</b>

**PRICES**

<b>AVERAGE MONTHLY STRAWBERRY PRICES PESOS PER KILOGRAM (C&amp;F)</b>					
<b>Month</b>	<b>1997</b>		<b>1998</b>		<b>Change %</b>
	<b>Imported</b>	<b>Domestic</b>	<b>Imported</b>	<b>Domestic</b>	
<b>January</b>		<b>5.91</b>		<b>9.26</b>	<b>56.7</b>
<b>February</b>		<b>6.52</b>		<b>7.83</b>	<b>20.1</b>
<b>March</b>		<b>5.06</b>		<b>7.16</b>	<b>41.5</b>
<b>April</b>		<b>6.70</b>		<b>6.66</b>	<b>-0.60</b>
<b>May</b>		<b>8.56</b>		<b>14.25</b>	<b>66.47</b>
<b>June</b>		<b>10.41</b>		<b>12.80</b>	<b>22.48</b>
<b>July</b>		<b>12.96</b>		<b>19.00</b>	<b>46.6</b>
<b>August</b>	<b>14.33</b>		<b>19.00</b>		<b>32.6</b>
<b>September</b>	<b>14.81</b>		<b>18.71</b>		<b>26.33</b>
<b>October</b>	<b>17.24</b>		<b>25.37</b>		<b>47.15</b>
<b>November</b>		<b>11.48</b>		<b>13.88</b>	<b>20.90</b>
<b>December</b>		<b>7.66</b>		<b>14.58</b>	<b>90.34</b>

SOURCE: SERVICIO NACIONAL DE INFORMACION DE MERCADOS

1997 AVG. EXCHANGE RATE US\$1.00 = 7.90 PESOS

EXCHANGE RATE (DECEMBER 29, 1998) US\$1.00 = \$9.88 PESOS

EXCHANGE RATE (MARCH 14, 1999) US\$1.00= \$9.80 PESOS

**TRADE MATRICES****FRESH STRAWBERRIES**

<b>FRESH STRAWBERRIES</b>		<b>UNITS: METRIC TONS</b>	
<b>EXPORTS FOR 1997 TO:</b>		<b>IMPORTS FOR 1997 FROM:</b>	
U.S.	15,396	U.S.	3,465
OTHER		OTHER	
SOUTH KOREA	196		
GERMANY	97		
FRANCE	88		
U.K.	63		
TOTAL OF OTHER	444	TOTAL OF OTHER	0
OTHERS NOT LISTED	78	OTHERS NOT LISTED	0
GRAND TOTAL	<b>15,918</b>	GRAND TOTAL	<b>3,465</b>

<b>FRESH STRAWBERRIES</b>		<b>UNITS: METRIC TONS</b>	
<b>EXPORTS FOR 1998* TO:</b>		<b>IMPORTS FOR 1998* FROM:</b>	
U.S.	26,015	U.S.	3,952
OTHER		OTHER	
GERMANY	250		0
U.K.	170		
FRANCE	147		
TOTAL OF OTHER	567	TOTAL OF OTHER	0
OTHERS NOT LISTED	160	OTHERS NOT LISTED	0
GRAND TOTAL	<b>26,742</b>	GRAND TOTAL	<b>3,952</b>

**SOURCE:** 1993, 1996 Global Trade Information Services, Inc.

\* As of November 1998.

**Note:** Trade numbers reported by the Mexican Government may differ from those reported by U.S. Census data.

## FROZEN STRAWBERRIES

<b>FROZEN STRAWBERRIES</b>		<b>UNITS: METRIC TONS</b>	
<b>EXPORTS FOR 1997 TO:</b>		<b>IMPORTS FOR 1997 FROM:</b>	
U.S.	33,178	U.S.	231
OTHER		OTHER	
AUSTRALIA	843		
JAPAN	663		
FRANCE	619		
CANADA	611		
TOTAL OF OTHER	2,736	TOTAL OF OTHER	0
OTHERS NOT LISTED	1,385	OTHERS NOT LISTED	22
GRAND TOTAL	<b>37,299</b>	GRAND TOTAL	<b>253</b>

<b>FROZEN STRAWBERRIES</b>		<b>UNITS: METRIC TONS</b>	
<b>EXPORTS FOR 1998* TO:</b>		<b>IMPORTS FOR 1998* FROM:</b>	
U.S.	27,260	U.S.	507
OTHER		OTHER	
CANADA	937	GUATEMALA	25
AUSTRALIA	779		
FRANCE	460		
TOTAL OF OTHER	2,176	TOTAL OF OTHER	25
OTHERS NOT LISTED	1,109	OTHERS NOT LISTED	0
GRAND TOTAL	<b>30,545</b>	GRAND TOTAL	<b>578</b>

**SOURCE:** 1993, 1996 Global Trade Information Services, Inc.

\* As of November 1998.

**Note:** Trade numbers reported by the Mexican Government may differ from those reported by U.S. Census data.