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Strawberries

Annual

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Report Highlights:
Strawberry plantings are forecast to be lower for MY 2001/02 compared to MY 2000/01, due to low international market prices for fresh and frozen strawberries. Consequently, exports are not expected to increase much from the previous year, unless international prices increase.

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

FRESH STRAWBERRIES

PRODUCTION

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 variety, 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 approximately 57 percent of the growing area, while the new Camarrosa variety has already been planted in about 25 percent of that state's strawberry-growing region. In Zamora, Michoacan, these two varieties account for approximately 90 percent of the area planted to strawberries.

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 production for marketing year 2001/02 (August/July) is forecast at 119,000 MT, a decrease of approximately 1.6 percent compared to MY 2000/01 production. According to the industry there has been a trend to reduce strawberry planted area due to low market prices, no access to credits, and increases in the costs of production. Therefore, the forecast for area planted for MY 2001/02 has been reduced to 5,500 MT. The state of Michoacan, which is the most important region for the winter crop, is the first one to reach the market. According to producers, approximately 70 to 80 percent of the production of Michoacan goes to the processing industry and 20 to 30 percent to the fresh market. Growers living in the neighboring state of Guanajuato grow strawberries in Michoacan because they can harvest them earlier and have more opportunities for receiving higher prices and profits for their crop. The state of Guanajuato, which is more important for the summer cycle, gets to the market after the crop from Michoacan, and receives lower prices. According to the industry, growers in Guanajuato have switched to planting less risky crops, such as broccoli, cauliflower, sorghum, wheat, or tomatoes in the areas formerly planted with strawberries. Growers consider strawberries a risky crop because their high production costs, brought on by intensive water usage and lack of affordable credit, can make them unprofitable, depending on prevailing market prices. According to growers, a large percentage of the production of Guanajuato is now destined for the fresh local market and the processing industry, rather than large supermarkets. Producers indicate that approximately 30 to 40 percent of the strawberry production in Guanajuato goes to the processing industry for jams, yogurt and other food products. The state of Baja California, also important in the winter cycle, is forecast to plant a similar acreage as last season; strawberries from Baja California are also marketed early in the season and therefore garner higher prices. Most of Baja's strawberry production goes to the fresh market.

Strawberry production estimates for MY 2000/01 were revised downward to 121,000 MT, based on estimates from the Secretariat of Agriculture, Livestock, Rural Development, Fisheries and Food (SAGARPA). Fewer hectares than expected were planted, as a result of lower international market prices during the previous year and an increase in the costs of production, mainly the price of imported strawberry plants from the U.S. According to growers, the state of Guanajuato was the most affected by this increase in production costs. Therefore, area planted and harvested for MY 2000/01 has also been revised downward. Producers indicated that yields were good. Production, as well as area planted and harvested for MY 1999/2000, have been revised downward, reflecting final official data.

Strawberry yields in Mexico vary greatly depending upon variety, area, and weather conditions. Overall weather conditions were good for MY 2000/01 production, with an average yield of 22 MT/ha. If weather conditions remain good for MY 2001/02, yields are expected to be about the same. Well-tended areas, however, can produce as much as 35 MT/Ha. Yields in Baja California are higher and are expected to be as high as 40-50 MT/Ha. Some growers indicate that they are improving their cultural practices in order to increase yields.

Strawberry production costs for MY 2000/01 increased about 8 percent from MY 1999/2000 production costs, due to higher royalties that some growers now pay to bring strawberry plants from the University of California. According to growers, a new agreement was negotiated with the University of California to buy the patented mother plants for Mexico. These new royalties will gradually increase for the next five years. On average, the increase for MY 2000/01 was from US$50 per box (1,000 plants) to $120/box. Growers who import plants from other sources have not reported any increase in royalties on the patented plants.

Average costs of production for MY 2001/02 are expected to be close to the ones in MY 2000/01 The average cost to establish an hectare of strawberries in Guanajuato was approximately 84,000 to 86,000 pesos/Ha (US$8,955 to $9,168/Ha) with advanced technology and about 55,000 pesos/Ha ($5,863/Ha) with less quality control technology. Michoacan costs are higher at approximately 122,000 to130,000 pesos/Ha (US$13,000 to $13,859/Ha) with advanced technology, and less than 100,000 pesos/Ha (US$10,666/Ha) for less quality control technology. These costs do not include drip irrigation and plastic mulch; the latter averages US$800 per hectare. The average production cost for an already established bed is approximately 44,000 to 54,000 pesos/Ha (US$4,690 to $5,757/Ha). Basic expenses include nursery establishment, field preparation, strawberry plants, fertilizers and fungicides, irrigation, and harvesting. The most expensive input has always been the strawberry plants which are imported from the United States. All Mexican strawberries are irrigated. Labor costs are about 60 to 80 pesos /per shift (US$6 to 9 per shift). Some workers even want to be paid by the number of baskets picked rather than by the shift. Labor is specially scarce in Guanajuato because several new industries like automobiles, steel and “maquiladoras” are hiring away farm laborers. Therefore, strawberry producers have to pay higher wages — practically 70 to 100 pesos/shift (US$7 to $11/shift) — to attract workers. (NOTE: The official minimum wage for farm workers is approximately US$4.30 per day.)

The overall financial situation of many strawberry farmers is still poor. Credit is tight because commercial banks consider strawberries a very high risk crop. Consequently, growers are not

significantly increasing area planted. However, the Farm Development Risk Agency (FIRA), along with the state government and producers, are implementing a Water Conservation and Efficient Use Program to conserve water resources so that current acreage for strawberries as well as other crops can be maintained. Given the tight credit situation, brokers, processors and U.S. importers are reportedly financing some Mexican strawberry production. Growers state that lack of affordable credit, inadequate financial incentives, and declining water availability are limiting future expansion of lands dedicated to strawberry production. Guanajuato and Michoacan in particular suffer from inadequate water supplies. The government in Guanajuato, as part of the Water Conservation and Efficient Use Program, continues to support the irrigation program. This program educates producers on, and finances projects for, efficient water use, including converting flood irrigation to drip-irrigation, sprinkler-jet irrigation, or floodgates. The government, the Bank of Mexico (through FIRA), the producers, and input suppliers are all involved in financing these projects. According to sources, however, the program has been moving slowly. Other producing states are also using water more efficiently with new methods of ferti-irrigation. Michoacan has also developed programs to increase drip irrigation.

Most producers are organizing themselves to improve good agricultural practices. In Guanajuato, for example, the state government, growers, and agroindustry are working together through one committee to bring good agricultural practices up to internationally recognized guidelines. Another committee, comprised of members of these same sectors, is working toward improving its marketing practices and market share. The state of Baja California also has organized producers to implement better on-farm sanitary conditions and verification controls. Michoacan also has its own verification controls that are followed by exporting companies, which have joint ventures with U.S. companies. Additionally, some producers and agroindustries have also formed a group that is following the Hazard Analysis Critical Control Points (HACCP) program on strawberry production to minimize health and sanitary risks from the field to the processing plant. This group's activities have been verified by a California consulting group. Strawberry producers are not only increasingly using plastic mulch to help minimize disease risks, but are also controlling the use of pesticides, implementing better agricultural practices, and educating themselves on risk assessment.

CONSUMPTION

Fresh strawberry consumption for MY 2001/02 is forecast at 49,000 MT, a decrease compared to MY 2000/01 because of expected lower domestic demand. The tendency is to serve the international market first, so the final balance will depend on the strength of the consumer purchasing power and the demand for fresh strawberries from the international market. The MY 2000/01 consumption estimate was revised upward reflecting a stronger demand and fruit at affordable prices. The consumption estimate for MY 1999 was revised upward based on official information. The average Mexican consumer does not discriminate between domestic and imported strawberries. The major challenge that U.S. exporters face 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 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

Farmgate prices for strawberries for the fresh domestic market for MY 2000/01 were low at approximately 4.50 pesos/kg (US$0.48/kg) for low quality and about $7.00 pesos/kg (US$0.75/kg) for good quality. Producers indicated, however, that farmgate prices are also influenced by the international market. Prices for the domestic market are usually higher for the first months of the marketing year because it is the exporting high season. Imported strawberries from the United States began in May 2001 at approximately 19.00 pesos/kg (US$2.04/kg), and increased to nearly 25.00 pesos/Kg (US$2.68/Kg) at the wholesale market during September 2001, when there are almost no domestic strawberries available.

TRADE

The major market for Mexican strawberry exports is the United States, with smaller amounts shipped by air to Europe. Fresh strawberry exports for MY 2001/02 are forecast at 34,000 MT, a 13 percent increase compared to MY 2000/01, due to better international demand. The continued strength of the peso, however, has increased costs of production and has negatively affected strawberry exports for both MY 1999/2000 and 2000/01. Indeed, the estimate for MY 2000/01 exports has been revised downward, due to lower international demand and low prices. The export figure for MY 1999/2000 was also revised downward, based on available official trade information. Imports of fresh U.S. strawberries supply the Mexican market from May through November. Imports of U.S. strawberries for MY 2001/02 are expected to remain at 9,000 MT, unless domestic demand decreases. Strawberry imports for MY 2000/01 were revised upward, as a result of stronger demand generated by the continued strength of the peso. Growers indicate that some imported strawberries were used by the processing industry. Import data for MY 1999 was revised upward based on available official trade information.

Under NAFTA, fresh strawberry imports from the United States are no longer subject to tariffs. Imports 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 growing for the past two years. The import volume has been maintained with promotional campaigns in Mexico in chain stores in approximately 30 cities. Wholesalers are provided with point of sale materials and recipes which are to be delivered to their clients and customers respectively. Although the import season begins in May, the highest volumes are imported from June through October. Traditionally, imported fruit becomes scarce by November, when imports taper off and domestic production is harvested. 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.

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 still limited understanding within the Mexican market as to how to care for and preserve strawberries in the stores, despite the fact that several store managers have assisted technical seminars offered in more than 30 cities and learned how to better display, sell and preserve strawberries. Moreover, the Mexican strawberry market still has a long way to go before there is brand recognition and before consumers disassociate strawberries with the no-longer used, unsanitary washing techniques that some stores used for many years.

FROZEN STRAWBERRIES

PRODUCTION

Mexican frozen strawberry production for MY 2001/2002 (Aug/July) is forecast at 45,000 MT, slightly higher compared to MY 2000/01 revised estimates, but still a lower production compared to MY 1999/2000. According to growers, the prevailing low international market price is driving down production of frozen strawberries. Total production, however, may rise if more strawberries are diverted from the fresh market. Producers indicated that this could only happen if the international market price increases. Growers and buyers/processors generally operate separately and there is very little integration with respect to marketing firms providing input to 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 Michoacan have entered into joint ventures with foreign companies which has brought more integration and better financing. Together they have implemented improved quality control. Despite efforts, however, some strawberry processing companies are closing and others can only survive by processing other fruits.

Frozen strawberry production for MY 2000/01 was revised downward because of lower international demand and low prices, due to a world oversupply situation. Also, there was less fruit available due to reduced plantings. According to the industry, some processing plants bought fruit from Baja California and even imported some fruit from the U.S. in order to fulfill contract obligations. Frozen strawberry production for MY 1999/2000 was revised downward based on available information. Information on frozen strawberry production is very difficult to obtain because the Mexican government does not maintain it and industry information tends to be limited. However, industry did indicate that higher costs of production for strawberries have also increased production costs for frozen strawberries.

There are approximately 27 strawberry processing plants in Michoacan and about nine plants in Guanajuato. Some of these plants operate intermittently, due to frequent changes in ownership and problems in leasing out the facilities. Also, some plants process other fruits during the off-season,

thereby allowing them to work all year round. Some plants, however, have closed operations, due to lack of affordable credit from Mexican financial institutions. Those 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 either are packed whole or sliced with sugar. The processors use a wide variety of packaging, 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 fresh product selling at higher prices. The farmgate price for strawberries destined for processing for MY 2000/01 was approximately 4.00 to 5.00 pesos/Kg (US$0.43 to 0.53/Kg), while average farmgate prices for the fresh market were on average 6.00 to 7.00 pesos/kg (US$0.64 to S0.75/kg). Strawberry producers expect farmgate prices for processing to rise to 5.50 pesos/kg or more (US$0.60/kg) for MY 2001/02.

CONSUMPTION

The MY 2001/02 frozen strawberry consumption is forecast to reach 10,700 MT, a 3 percent increase compared to MY 2000/01. As with fresh strawberries, the industry serves the international market first. According to industry, annual average consumption generally ranges between 10,000 to 11,000 MT. The industry recognizes that there is a need for more advertising and campaigns to promote this product. Also, the tendency of certain industries that use frozen strawberries in products like jams, breads and yogurt is to substitute frozen strawberries for strawberry concentrate . This concentrate contains coloring, additives and artificial flavors and is imported from the United States at lower prices than domestic frozen strawberries. Domestic market prices for frozen strawberries for MY 2000/01 were approximately $0.45/lb. The MY 2000/01 consumption forecast was revised downward to 10,380 MT, due to lower demand caused by industry substitution of strawberry concentrate for frozen strawberries. There are generally no stocks of frozen strawberries because of high storage costs. The frozen strawberry consumption estimate for MY 1999/2000 was revised upward, based on available information.

TRADE AND MARKETING

The export forecast for frozen strawberries for MY 2001/02 is expected to increase slightly to 34,500 MT, due to expected higher international demand. Although this figure represents an increase from the MY 2000/01 revised export estimate, it is still relatively low compared to MY 1999/2000 exports. Industry has indicated that it will keep exporting lower volumes due to lower international prices and to prevent further price drops. If international prices keep falling, exports are expected to be even lower. Traders reported that the U.S. demand for Mexican strawberries is not increasing because the U.S. is now importing more frozen strawberries from other countries. Frozen strawberry exports for MY 1999/2000 and 2000/01 were revised downward based on trade data.

Few companies have good market integration and product diversification. However some growers and agroindustries are looking to integrate further in order to prevent stagnation in the strawberry industry. According to industry sources, the international price for frozen strawberries in MY 2000/01 fluctuated between US$0.38/lb FOB and US$0.42/lb., slightly lower figures than those in MY 1999/2000. The industry is expecting better prices for MY 2001/02 (approximately US$0.42/lb or $0.43/lb).

Frozen strawberry imports are still not significant relative to the total Mexican processed strawberry market. Import data, however, show a slight increase in imports due to more domestic demand. Frozen strawberry imports for MY 2001/02 are forecast at 200 MT, slightly higher than in MY 2000/01. The import estimates for MY 1999/2000 and 2000/01 were revised upward based on recent trade information. According to traders, the strength of the peso against the dollar has spurred demand for more imports. There are no promotional campaigns for frozen strawberries in Mexico.

The 2001 NAFTA import tariff rate on frozen strawberries is 2.8 percent and the 2002 tariff rate will be 1.4 percent. For 2003 the tariff will be zero. 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

FRESH STRAWBERRIES

PSD Table						
Country	Mexico					
Commodity	Fresh Strawberries			(HA) (MT)		
	Revised 1999		Preliminary 2000		Forecast 2001	
	Old	New	Old	New	Old	New
Market Year Begin	08/1999		08/2000		08/2001	
Area Planted	7220	7067	6900	5600	0	5500
Area Harvested	6950	6495	6700	5500	0	5400
TOTAL Production	146000	**141583**	141000	**121000**	0	**119000**
Imports, Fresh	6000	7932	5000	9000	0	9000
TOTAL SUPPLY	152000	149515	146000	130000	0	128000
Exports, Fresh	42000	35570	42000	30000	0	34000
Domestic Fresh Market	56000	60945	51000	57000	0	49000
For Processing	54000	53000	53000	43000	0	45000
TOTAL UTILIZATION	152000	**149515**	146000	**130000**	0	**128000**

FROZEN STRAWBERRIES

PSD Table						
Country	Mexico					
Commodity	Frozen Strawberries		(MT)			
	Revised 1999		Preliminary 2000		Forecast 2001	
	Old	New	Old	New	Old	New
Market Year Begin	08/1999		08/2000		08/2001	
Deliv. To Processors	0	0	0	0	0	0
Beginning Stocks	0	0	0	0	0	0
Production	54000	**53000**	53000	**43000**	0	**45000**
Imports	95	99	100	180	0	200
TOTAL SUPPLY	54095	53099	53100	43180	0	45200
Exports	43000	41590	42200	32800	0	34500
Domestic Consumption	11095	11509	10900	10380	0	10700
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	54095	**53099**	53100	**43180**	0	**45200**

TRADE MATRIXES

Strawberries, Fresh			UNITS: ***METRIC TONS***		
EXPORTS TO:	**2000**	**2001***	**IMPORTS FROM:**	**2000**	**2001***
U.S.	34,636	27,323	U.S.	10,913	2,143
OTHER			OTHER		
JAPAN	397	683		0	0
TOTAL OF OTHER	397	683	TOTAL OF OTHER	0	0
OTHERS NOT LISTED	16	45	OTHERS NOT LISTED	0	0
GRAND TOTAL	35,049	28,051	GRAND TOTAL	10,913	2,143

SOURCE: Global Trade Information Services, Inc. "World Trade Atlas" Mexico Edition.
* As of June 2001.

Strawberries, Frozen			UNITS: ***METRIC TONS***		
EXPORTS TO:	2000	2001*	**IMPORTS FROM:**	2000	2001*
U.S.	37,408	29,208	U.S.	67	140
OTHER			OTHER		
FRANCE	1,055	0			
CANADA	938	435			
AUSTRALIA	926	359			
TOTAL OF OTHER	2,919	794	TOTAL OF OTHER	0	0
OTHERS NOT LISTED	264	382	OTHERS NOT LISTED	0	0
GRAND TOTAL	40,591	30,384	GRAND TOTAL	67	140

SOURCE: Global Trade Information Services, Inc. "World Trade Atlas" Mexico Edition.
* As of June 2001.

PRICES

AVERAGE MONTHLY STRAWBERRY PRICES PESOS PER KILOGRAM			
MONTH	2000	2001	CHANGE %
JANUARY	10.41	11.11	6.72
FEBRUARY	9.33	8.33	(10.72)
MARCH	8.33	8.66	3.96
APRIL	10.16	8.66	(14.76)
MAY	10.16	9.33	(8.17)
JUNE	14.50	13.00	(10.34)
JULY	15.50	15.42	(0.52)
AUGUST	16.60	19.00*	14.46
SEPTEMBER	18.00	24.00*	33.33
OCTOBER	23.45*	23.00*	(1.92)
NOVEMBER	12.91	N/A	N/A
DECEMBER	10.20	N/A	N/A

SOURCE: SERVICIO NACIONAL DE INFORMACION DE MERCADOS
2000 AVG. EXCHANGE RATE: US$1.00 = 9.40 PESOS
SEPT. 25, 2001 EXCHANGE RATE US$1.00 =9.43 PESOS
NOTE: 1/- "*" REPRESENTS PRICES FOR IMPORTED STRAWBERRIES. DOMESTIC STRAWBERRIES PRICES WERE NOT AVAILABLE. OTHER PRICES REPRESENT DOMESTIC MARKET PRICES.

AVERAGE MONTLHY WHOLESALE STRAWBERRY PRICES 2001		
CALIFORNIA		
MONTH	WHOLESALE US $/12 LB. BOX	RETAIL US $/LBS
MAY	11.96	1.02
JUNE	12.08	1.05
JULY	13.69	1.69
AUGUST	12.52	1.39
SEPTEMBER	14.71	1.77
OCTOBER	14.52	1.81

Source: Market Survey Grupo PM.