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Mexico

Fresh Deciduous Fruit

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Report Highlights:

Mexico's apple production for MY 2001/2002 was revised upward to 473,000 MT from earlier estimates, due to good weather conditions. Pear production for MY 2001/2002 remained unchanged at 33,500 MT. The United States is expected to continue to be the main source for imported apples and pears.

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

Economic Situation and Outlook

The recession in the United States is spilling over into Mexico and could have negative impacts on the consumer purchasing power and trade in various sectors of the economy. According to the Mexican government, more than 400,000 jobs have been lost during the first semester of 2001. The unemployment rate for October 2001 was 2.9 percent compared to 1.9 percent in December 2000. The GDP growth for 2001 is estimated by private analysts to be at 0.3 percent, a marked contrast to the 6.9 percent GDP growth in 2000. These same analysts estimate industrial production to slow down mainly in the "*maquila sector*" due to a slower demand for exports to the U.S. In fact, the government indicated that during the first nine months of 2001, industrial production fell 5.4 percent compared to the same period last year. Also, the Mexican oil sector has been affected as revenue from oil exports has fallen as a result of low international prices. During November 2001, the Mexican oil price fell to approximately US\$14.77 per barrel, while the reference price for Brent oil dropped to US\$19.71 per barrel. The lower limit for the OPEC price band was set at US\$22.00 per barrel. The corresponding revenue losses from the various sectors of the economy led to a general slowdown in December 2001 and prompted the Mexican government to reduce budget revenues for the third time by 20 billion pesos (US\$2 billion) because of declining global oil prices. It is worth noting that spending in Mexico has been based on oil revenues. On January 1, 2002, the Mexican legislators approved the 2002 budget consisting of a US\$7.5 billion tax package to boost government revenues and reduce dependence revenues from oil exports. Products with special new taxes include alcoholic beverages, tobacco, soft drinks, and cell phone usage.

APPLES

PRODUCTION

The MY 2001/2002 (August/July) forecast of total Mexican apple production was revised upward to 473,000 MT due to a large crop in the state of Chihuahua. Sources indicate that weather conditions in Chihuahua, the main apple producing state, were very good for apple production and remained that way during the harvesting season. Yields in Chihuahua are estimated at approximately 14 MT/ha., while overall yields are at about 7.6 MT/ha. Weather conditions in other producing areas were normal. Area planted and harvested for MY 2001/02 was revised downward from previous estimates based on recent available information. Producers indicate that increasing costs of production, tight credit, and limited water, are restricting the expansion of planted areas. The production estimate as well as area planted and harvested for MY 1999/00 and 2000/01 remain unchanged.

CONSUMPTION

The forecast for apple consumption for MY 2001/02 has been revised slightly upward reflecting good demand at affordable prices. Traders, however, are cautious due to the possibility of holding large stocks when the apple reference price agreement has yet to be decided and could push apple prices upward. The exchange rate has been more or less stable allowing for a continued demand for imported apples. Domestic consumption estimates for MY 2000/01 were revised upward because of a higher demand. Data for MY 1999/00 remains unchanged.

The main domestic apple producing regions from September through December are Chihuahua and Coahuila. In an effort to regulate market prices as a result of the large 2001/02 crop, the best quality apples from Chihuahua were put into cold storage. Wholesale prices in Mexico City from September to December 2001 were on average US\$21.74/ 20 kg. box for Red Delicious apples and US\$26.08/ 20 kg. box for Golden Delicious apples at the wholesale market in Mexico City.

TRADE

The forecast for total apple imports for MY 2001/02 is estimated to be 36 percent lower compared to MY 2000/01, due to slower demand for imported apples and larger domestic apple supplies. The estimate for apple imports for MY 2000/01 was revised upward to 228,063 MT, based on increased demand due to the smaller crop. Chilean apple imports increased 16 percent during MY 2000/01 compared to the previous marketing year, while Canadian apples increased 69 percent for the same period. Argentinian apples continued to have a small presence in the market with lower quality apples and higher prices.

The minimum price per box under the suspension agreement reached in Mexico's dumping case against U.S. exporters was announced on October 24, 2001 (See report MX1194). According to the announcement, the new price is US\$0.58 per kilogram FOB or US\$11.05 per box of 19.05 kilograms. As previously reported (MX1160), all imported apples are subject to the Customs Cash Account System (reference prices) implemented by the Secretariat of Treasury. This system will require importers to deposit in a bank account 100 percent of duties assessed on the difference between the actual invoice value (including transportation costs and broker's fees) and the value of the shipment based on the predetermined "estimated" price (reference price). However, in January 2002, the Mexican courts, responding to injunctions previously filed by the Mexican apple industry alleging U.S. violations of the reference price system, rescinded the 2001/02 reference price and called for an investigation into these violations. As this report was being prepared, no decision had yet been made by the Mexican courts regarding the status of the suspension agreement or which reference price would apply to U.S. apple imports.

POLICY

The 2002 duty on U.S. apples is 2 percent for the safeguard volume of 69,671 MT and 20 percent for any imports above the safeguard. The duty for Canadian apples is also 2 percent for the safeguard volume of 14,490 MT and 20 percent for any imports above the safeguard. The duty for Chilean apples is 6.7 percent for the safeguard volume of 2,497 MT, with a snapback duty of 23 percent. Importers of Chilean apples must obtain a quota certificate to be able to import under the lower duty. Apples from other countries are subject to a 20 percent duty.

New Ports of Entry for U.S. Apples

On December 14, 2001, the Secretariat of Treasury (SHCP) announced in the *Diario Oficial* (Federal Register) the re-authorization and addition of certain customs ports of entry for apples from the United States. The announcement re-authorized Mexicali, Nuevo Laredo, and Veracruz as official border crossings and added Tuxpan. This brings to nine the total number of authorized border crossings for U.S. apples: Ciudad Juarez, Ciudad Reynosa, Manzanillo, Mexicali, Nogales, Nuevo Laredo, Tijuana, Tuxpan, and Veracruz (see report MX1218). Earlier this year, on June 29, 2001, SHCP limited the ports of entry for U.S. apples to only five custom ports (see report MX1102), decreasing by half the

number of official entry points for U.S. apples which had been originally agreed upon by USDA and SAGARPA under an Apple Work Plan signed in 1996. The effective date for use of these ports was December 21, 2001.

MARKETING

The United States is expected to remain Mexico's main apple supplier. The U.S. apple industry's continued marketing and in-store promotion efforts have contributed to the United States' strong presence in this market. Promotions for 2002 are to take place in medium-size cities and are to include relatively new varieties such as Gala and Fuji. Mexican consumers still prefer the Red and Golden Delicious varieties over other varieties. Commercially, these two varieties have the competitive advantage over other varieties because of their longer shelf life. Another variety widely demanded by consumers is Rome Beauty, which is mainly used for baking and cooking.

Mexican producers continue doing market promotions and are now advertising Mexican apples on the radio and in certain TV spots. Chilean producers have been working aggressively to penetrate the Mexican market and have introduced several unique varietal characteristics in an effort to target different population groups. However, in general, their promotion strategy focuses more on price than on quality. According to traders, Chile is investing in in-store demonstrations and advertisement. Canada is also promoting its apples by inviting Mexican traders to Canada on all-expense paid trips. According to traders, other countries like France, China and South Africa are beginning to explore the Mexican fruit market. Argentina continues to ship apples to Mexico. However, apples from Argentina in the last two years have been expensive and Argentina has not invested in any promotional activities. Argentine apples are not expected to be very competitive in the Mexican market at this time, due to their low quality and higher prices.

PEARS

PRODUCTION

Pear production in Mexico is not very significant, therefore, periodic data is not available from the Mexican government. The total pear forecast for MY 2001/02 (July/June) for production, area planted and harvested remains unchanged. Area planted for MY 2000/01 was revised downward based on recent government data. Pear production estimates for MY 1999/00 remain unchanged.

CONSUMPTION AND TRADE

Domestic supply continues to rely on imports, mainly from the United States, because Mexican pear production is minimal and not increasing. The pear consumption forecast for MY 2001/02 remains at 141,500 MT, reflecting affordable prices and steady demand. The consumption estimate for MY 2000/01 has been revised downward, due to slightly less demand than expected; however, that consumption figure still reflects an increase of 16 percent over MY 1999/00 consumption.

According to traders, the pear import forecast for MY 2001/02 is unchanged at 110,000 MT, due to the expectation of continued steady demand. The rate of increase, however, reflects a lower growth rate compared to MY 2000/01, due to the economic slowdown. Importers maintain that if the exchange rate for 2002 continues to be stable, pear

prices will remain as affordable as in 2001. The import estimate for MY 2000/01 was revised downward, due to slightly less-than-expected demand, but still represents a 29 percent increase over MY 1999/00 pear imports. Imports from Chile in 2000/01 grew 41 percent from the previous year, because of increased Mexican demand. The volume of Chilean pear imports, however, is not very significant in the Mexican market, comprising about 5 percent of total imports; high transportation costs make Chilean pears more expensive than those from the United States. The import duty on pears under NAFTA and the Mexico-U.S. free trade agreement is zero. The duty on pear imports from Argentina is also zero and Argentina has begun to increase its exports to Mexico, but these still only account for less than 1 percent of total pear imports.

MARKETING

The United States is expected to continue as Mexico's main supplier of pears. Market promotion efforts for U.S. pears are continuing in the supermarkets and street markets of several Mexican cities. The major challenge for pears in the Mexican market is that of increasing consumers' appreciation of new varieties, ripening characteristics, and nutritional value. Pear promotional efforts will include use of TV and magazines as advertising mediums. The number one pear preference among Mexicans is the Anjou variety, followed by other varieties like Bartlett, Bosc, and Red Anjou, which have increased in sales over the past few seasons. Most U.S. pears come from Washington, Oregon and California. Chilean producers do not conduct marketing or promotional campaigns in Mexico; due to this, and the fact that the cost of Chilean pears are generally higher, Chilean pears do not yet pose a serious threat to U.S. pears in the Mexican market.

SECTION II. STATISTICAL TABLES

Apples, PS&D Table

| PSD Table | | | | | | |
|--------------------------|--------------|---------------|-----------------|---------------|----------------------|---------------|
| Country | Mexico | | | | | |
| Commodity | Fresh Apples | | | | (HA)(1000 TREES)(MT) | |
| | Revised1999 | | Preliminary2000 | | Forecast2001 | |
| | Old | New | Old | New | Old | New |
| Market Year Begin | 08/1999 | | 08/2000 | | 08/2001 | |
| Area Planted | 66120 | 66120 | 64366 | 64366 | 64400 | 63100 |
| Area Harvested | 64475 | 64475 | 54023 | 54023 | 62700 | 61600 |
| Bearing Trees | 14506 | 14506 | 12155 | 12155 | 14107 | 13860 |
| Non-Bearing Trees | 370 | 370 | 2327 | 2327 | 382 | 337 |
| Total Trees | 14876 | 14876 | 14482 | 14482 | 14489 | 14197 |
| Commercial Production | 437866 | 437866 | 330245 | 330245 | 461000 | 465000 |
| Non-Comm. Production | 12000 | 12000 | 8000 | 8000 | 9000 | 8000 |
| TOTAL Production | 449866 | 449866 | 338245 | 338245 | 470000 | 473000 |
| TOTAL Imports | 155590 | 155590 | 187760 | 228063 | 145000 | 145000 |
| TOTAL SUPPLY | 605456 | 605456 | 526005 | 566308 | 615000 | 618000 |
| Domestic Fresh Consume | 514456 | 514456 | 456005 | 496308 | 525000 | 528000 |
| Exports, Fresh Only | 0 | 0 | 0 | 0 | 0 | 0 |
| For Processing | 91000 | 91000 | 70000 | 70000 | 90000 | 90000 |
| Withdrawal From Market | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL UTILIZATION | 605456 | 605456 | 526005 | 566308 | 615000 | 618000 |

Pear PS&D Table

| PSD Table | | | | | | |
|--------------------------|-------------|---------------|-----------------|----------------------|--------------|---------------|
| Country | Mexico | | | | | |
| Commodity | Fresh Pears | | | (HA)(1000 TREES)(MT) | | |
| | Revised1999 | | Preliminary2000 | | Forecast2001 | |
| | Old | New | Old | New | Old | New |
| Market Year Begin | 07/1999 | | 07/2000 | | 07/2001 | |
| Area Planted | 5007 | 5007 | 4900 | 4865 | 4900 | 4900 |
| Area Harvested | 4957 | 4957 | 4855 | 4842 | 4860 | 4860 |
| Bearing Trees | 1031 | 1031 | 1010 | 1007 | 1018 | 1018 |
| Non-Bearing Trees | 10 | 10 | 9 | 5 | 8 | 8 |
| Total Trees | 1041 | 1041 | 1019 | 1012 | 1026 | 1026 |
| Commercial Production | 31852 | 31852 | 30500 | 29780 | 32000 | 32000 |
| Non-Comm. Production | 1500 | 1500 | 1500 | 1500 | 1500 | 1500 |
| TOTAL Production | 33352 | 33352 | 32000 | 31280 | 33500 | 33500 |
| TOTAL Imports | 74158 | 74158 | 104000 | 95602 | 110000 | 110000 |
| TOTAL SUPPLY | 107510 | 107510 | 136000 | 126882 | 143500 | 143500 |
| Domestic Fresh Consume | 105510 | 105510 | 134000 | 124882 | 141500 | 141500 |
| Exports, Fresh Only | 0 | 0 | 0 | 0 | 0 | 0 |
| For Processing | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 |
| Withdrawal From Market | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL UTILIZATION | 107510 | 107510 | 136000 | 126882 | 143500 | 143500 |

Apple Prices

| AVERAGE MONTHLY WHOLESALE APPLE DOMESTIC PRICES | | | |
|--|-------------|-------------|-----------------|
| Red Delicious/ Pesos/Kilogram | | | |
| Month | 2000 | 2001 | Change % |
| January | 7.85 | 10.14 | 29.17 |
| February | 7.55 | 9.00 | 19.20 |
| March | 7.00 | 8.90 | 27.14 |
| April | 8.89 | 9.00 | 1.23 |
| May | | | |
| June | | | |
| July | | | |
| August | | | |
| September | 10.36 | 9.50 | (8.30) |
| October | 10.25 | 9.50 | (7.32) |
| November | 10.87 | 10.00 | (8.00) |
| December | 10.47 | 9.50 | (9.26) |
| CIF - Mexico City | | | |

SOURCE: SNIM

AVERAGE EXCHANGE RATE FOR 2000 USD\$1.00 = \$9.55 PESOS
 EXCHANGE RATE (DECEMBER 11, 2001) US\$1.00 = \$ 9.18 PESOS

| AVERAGE MONTHLY WHOLESALE APPLE IMPORT PRICES | | | |
|--|-------------|-------------|-----------------|
| Red Delicious/ Pesos/Kilogram | | | |
| Month | 2000 | 2001 | Change % |
| January | | | |
| February | | 10.78 | |
| March | | 11.03 | |
| April | | 11.28 | |
| May | 11.08 | 11.90 | 7.40 |
| June | 11.72 | 11.78 | 0.51 |
| July | 12.01 | 11.37 | (5.33) |
| August | 12.02 | 11.57 | (3.74) |
| September | | 11.25 | |
| October | | 11.30 | |
| November | | 12.12 | |
| December | | 11.00 | |
| CIF - Mexico City | | | |

SOURCE: SNIM

AVERAGE EXCHANGE RATE FOR 2000 USD\$1.00 = \$9.55 PESOS
 EXCHANGE RATE (DECEMBER 11, 2001) US\$1.00 = \$ 9.18 PESOS

Pear Prices

| AVERAGE MONTHLY WHOLESALE PEAR IMPORT PRICES | | | |
|---|-------------|-------------|-----------------|
| D'anjou/ Pesos/Kilogram | | | |
| Month | 2000 | 2001 | Change % |
| January | 12.63 | 10.83 | (14.25) |
| February | 12.22 | 10.83 | (11.37) |
| March | 11.38 | 11.38 | 0.0 |
| April | 11.38 | 11.66 | 2.46 |
| May | 11.66 | 12.12 | 3.95 |
| June | 10.83 | 13.76 | 27.05 |
| July | 10.55 | 15.37 | 45.69 |
| August | 10.83 | 16.11 | 48.75 |
| September | 11.66 | N/A | N/A |
| October | 11.66 | 11.11 | (4.72) |
| November | 11.66 | 11.38 | (2.40) |
| December | 11.66 | 11.38 | (2.40) |
| CIF - Mexico City | | | |

SOURCE: SNIM

AVERAGE EXCHANGE RATE FOR 2000 USD\$1.00 = \$9.55 PESOS
 EXCHANGE RATE (DECEMBER 11, 2001) US\$1.00 = \$ 9.18 PESOS

Trade Matrixes

Apples

| EXPORTS FOR 2000 TO: METRIC TONS | | IMPORTS FOR 2000 FROM: METRIC TONS | |
|-------------------------------------|-----|---------------------------------------|---------|
| U.S | 48 | U.S. | 155,027 |
| OTHERS | | OTHERS | |
| EL SALVADOR | 21 | CHILE | 22,020 |
| BELIZE | 19 | CANADA | 6,889 |
| OTHERS NOT LISTED | 19 | OTHERS NOT LISTED | 20,333 |
| GRAND TOTAL | 107 | GRAND TOTAL | 184,451 |

| EXPORTS FOR 2001* TO: METRIC TONS | | IMPORTS FOR 2001* FROM: METRIC TONS | |
|--------------------------------------|----|--|---------|
| U.S | 10 | U.S. | 172,695 |
| OTHERS | | OTHERS | |
| BELIZE | 4 | CHILE | 25,733 |
| | | CANADA | 3,904 |
| OTHERS NOT LISTED | 0 | OTHERS NOT LISTED | 758 |
| GRAND TOTAL | 14 | GRAND TOTAL | 203,090 |

Source: Global Trade Information Services, Inc. World Trade Atlas, Mexico Edition.

* As of September 2001.

Pears

| EXPORTS FOR 2000 TO: METRIC TONS | | IMPORTS FOR 2000 FROM: METRIC TONS | |
|---|-----------|---|---------------|
| U.S. | 24 | U.S. | 84,828 |
| OTHERS | | OTHERS | |
| GUATEMALA | 7 | CHILE | 3,308 |
| OTHERS NOT LISTED | 5 | OTHERS NOT LISTED | 612 |
| GRAND TOTAL | 36 | GRAND TOTAL | 88,748 |

| EXPORTS FOR 2001* TO: METRIC TONS | | IMPORTS FOR 2001* FROM: METRIC TONS | |
|--|-----------|--|---------------|
| U.S. | 29 | U.S. | 58,068 |
| OTHERS | | OTHERS | |
| BELIZE | 1 | CHILE | 5,314 |
| OTHERS NOT LISTED | 0 | OTHERS NOT LISTED | 331 |
| GRAND TOTAL | 30 | GRAND TOTAL | 63,713 |

Source: Global Trade Information Services, Inc. World Trade Atlas, Mexico Edition.

* As of September 2001.

Exchange Rates

| MONTHLY EXCHANGE RATE AVERAGES | | | |
|---------------------------------------|--------------|-------------|-------------|
| 1U.S. Dollar/ Pesos | | | |
| | 1999 | 2000 | 2001 |
| January | 10.13 | 9.02 | 9.76 |
| February | 10.01 | 9.43 | 9.70 |
| March | 9.75 | 9.28 | 9.60 |
| April | 9.43 | 9.37 | 9.33 |
| May | 9.38 | 9.50 | 9.14 |
| June | 9.53 | 9.81 | 9.09 |
| July | 9.37 | 9.43 | 9.15 |
| August | 9.38 | 9.27 | 9.12 |
| September | 9.33 | 9.33 | 9.40 |
| October | 9.52 | 9.52 | 9.35 |
| November | 9.40 | 9.50 | 9.25 |
| December | 9.38 | 9.44 | 9.16 |
| Annual Avg. | 9.55 | 9.40 | 9.35 |

Source: Mexican Federal Register

Note: Monthly rates are averages of daily exchange rates from the Banco de Mexico.