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Mexico

Strawberries

Annual Report

2006

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Report Highlights:
Fresh strawberry production for MY 2006/07 is forecast at 166,000 MT, a slight increase over MY 2005/06 production. The states of Michoacan, Guanajuato, and Baja California continue to be the main producers and exporters of Mexico's strawberries. Exports of both fresh and frozen strawberries are expected to continue growing assuming that demand from the international market remains strong.

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

FRESH STRAWBERRIES

PRODUCTION

Strawberry production for marketing year 2006/07 (August/July) is forecast at 166,000 MT, assuming favorable weather conditions. Strawberry production figures for MY 2004/05 and MY 2005/06 were revised upward based on official estimates. However, some growers believe that production for MY 2005/06 was smaller than reported, due to unfavorable weather conditions in the state of Michoacan. According to official data, area planted in Baja California, Michoacan, and Guanatuato, has increased, whereas elsewhere growers have moved out of strawberry production because of higher production costs and problems getting their produce to the market. The increased plantings are primarily being driven by higher prices. However, since growers do not think area will expand further in MY 2006/07, the forecast for area planted for MY 2006/07 will remain the same as in MY 2005/06. Some growers believe that there has been a slow continual decrease in planted area over the past few years, and that increases in production are more a function of advanced technology.

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 the states of Jalisco, Aguascalientes, Mexico, Morelos, Sinaloa, Veracruz, and Zacatecas. Mexico grows many strawberry varieties, including Camarosa, Festival, Camino Real, Ventana, Albion, Atlantis, Vizcaine, and Oso Grande. The harvest season for Michoacan and Guanajuato is November-June, with peak harvest for Michoacan from November to February, and from February to April for Guanajuato. The harvest season for Baja California is January-June, with the peak harvest in March-April.

Growers in the state of Michoacan, which is the most important growing region for the winter crop, are the first to reach the market. According to producers, approximately 70 to 80 percent of Michoacan strawberry production goes to the processing industry, and 20 to 30 percent to the fresh domestic and export markets. The state of Guanajuato, which is more important for the summer cycle, reaches the market after the crop from Michoacan, and usually commands a lower price. Producers indicate that approximately 40 to 50 percent of the strawberry production from Guanajuato goes to the processing industry for jams, yogurt, and other food products. The remaining berries go to the fresh market. The state of Baja California harvests during the winter cycle and their strawberries are also marketed early in the season, and therefore command higher prices. Most of Baja's strawberry production goes to the fresh export market.

Strawberry yields in Mexico vary greatly depending upon variety, area, and weather conditions. Overall yields for MY 2006/07 are expected to be about 28.4 MT/Ha. With good weather and advanced production technology, strawberry yields can be as high as 60 MT/Ha. The most modern strawberry production technology has led to even higher yields in some areas. Yields in Baja California tend to have the highest averages, with approximately 40-50 MT/Ha.

Costs of production vary greatly depending on the region where the strawberries are planted and the type of technology that is being used. The average cost to establish a hectare of strawberries in Michoacan is approximately $110,000 to $117,000 pesos/Ha (U.S. $9,865 to $10,493/Ha) with medium-grade technology, and from $126,000 to $200,000 pesos/Ha with advanced technology (U.S. $11,300 to $17,937/Ha). Covered tunnels can cost as much as $20,000 dollars per hectare. Production with less advanced technology costs less than $100,000 pesos/Ha (U.S. $8,968/Ha). Advanced technology measures include fertilization, drip irrigation, plastic mulch, and covered tunnels to protect the crop from rain and hail. Costs in Guanajuato are generally higher due to energy costs required to pump water, which has become more expensive in recent years. Production with less advanced technology is not as competitive, and results in lower-quality fruit, and in the end commands lower prices. For this reason, some small producers have stopped planting strawberries. The average production cost for an already established bed is approximately $46,000 to $56,000 pesos/Ha (U.S. $4,125 to $5,022/Ha). Basic expenses include nursery establishment, field preparation, strawberry plants, fertilizers, fungicides, irrigation, and harvesting. The most expensive input has always been the strawberry plants, which represent 40 percent of the total cost of production. Most of the plants are imported from the United States.

All Mexican strawberries are irrigated. Labor costs are about $100 to $120 pesos/per shift (approximately 6 hours per shift at U.S. $9.17 to $11.00 per shift). Some workers prefer to be paid by the number of baskets picked, rather than by the shift. When labor is especially scarce, strawberry producers must pay higher wages in order to attract workers.

Data for fresh strawberries destined for processing was updated based on new information gathered from processors. In general, data on processing is difficult to obtain since processed strawberry production statistics are not compiled by official sources, and private companies tend to be secretive about their activities. Fresh strawberries destined for processing for MY 2006/07 are forecast at 72,000 MT. However, in the end, this volume largely depends on the international demand for fresh strawberries. Strawberries destined for processing for MY 2004/05 and MY 2005/06 were revised upward based on partial industry information.

CONSUMPTION

Fresh strawberry consumption for MY 2006/07 is forecast at 46,000 MT, an increase of 7 percent over MY 2005/06 consumption. This increase is primarily attributable to expected favorable consumer prices. However, the tendency amongst shippers is to serve the international market first, so the final consumption figure will depend on international demand for fresh strawberries. Fresh strawberry consumption data for MY 2005/06 was revised downward, reflecting lower demand from the domestic market. On the other hand, international market demand, and demand from the processing industry, was very strong in MY 2005/06. Consumption data for MY 2004/05 was revised upward based on official information. The major challenge that U.S. exporters face in the Mexican market is to increase consumer awareness of the different varieties of strawberries. As most strawberries in Baja California are produced for the export market, these tend to be of higher quality, reacting to U.S. consumer demands.

Prices for strawberries for the fresh domestic market for MY 2006/07 are expected to be slightly lower than MY 2005/06, as larger volumes of production are expected this season. In MY 2005/06 berries from Michoacan were first on the market this export season at about $8 to $9 pesos/kg (U.S. $0.71 to $0.80/kg), but then decreased to $5.50 to $6.00 pesos/kg (U.S. $0.49 to $0.53/kg) later on. Last market year very high quality strawberries produced with advanced technology were able to fetch $10 to $12 pesos/kg (US$ 0.90 to $1.07/kg) on the international market.

Wholesale prices are usually slightly higher during the e winter months. Imported strawberries from the United States began in May 2006 at approximately U.S. $13.55 box (11.5 pounds), and ended in September at about U.S. $13.23 box on the wholesale market, when few domestic strawberries were available. Retail prices for imported strawberries were on average $50 pesos/kg or more (U.S. $4.48 kg) in September 2006.

TRADE

The major market for Mexican fresh strawberry exports is the United States, with smaller amounts shipped by air to Europe. Fresh strawberry exports for MY 2006/07 are forecast to be approximately 65,000 MT, due to expected strong international demand. Exports for MY 2005/06 were revised upward due to greater international demand than expected, and favorable international prices. However, exports for MY 2004/05 were revised downward due to lower international demand. The major Mexican export season is from December to May.

Imports of fresh U.S. strawberries supply the Mexican market from May through November. U.S. strawberry imports continue to climb, and for MY 2006/07 imports are forecast to increase slightly to 17,000 MT. Imports for MY 2005/06 were revised upward to 16,731 MT. This import growth is driven by a burgeoning middle-class in Mexico that is starting to demand year-round fresh fruit. According to wholesalers, large supermarket chains are capturing most of this market. Imports for MY 2004/05 were also revised upward.

Under NAFTA, fresh strawberry imports from the United States are no longer subject to tariffs, while 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 slowly, and a somewhat stronger peso helped imports for MY 2005/06. Although the import season begins in May, the greatest 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 to be the main supplier to the Mexican market. Imported strawberries are almost exclusively from California. They are of high quality, and are packed using a system that eliminates oxygen, thus extending the berries' shelf life. The California Strawberry Commission conducts in-store promotional campaigns in chain stores located in major metropolitan areas throughout the country. Additionally, wholesalers are provided with point-of-sale materials and recipes to deliver to customers.

The highest quality strawberries destined for the domestic market are packed in 1 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 are still problems within the Mexican retail market as to how to care for and preserve strawberries. The California Strawberry Commission has responded to this by holding technical seminars throughout Mexico. These seminars teach store managers how to more effectively display, sell, and preserve strawberries.

FROZEN STRAWBERRIES

PRODUCTION

Mexican frozen strawberry production for MY 2006/07 (Aug/July) is forecast to increase, compared to MY 2005/06 production. This projected increase assumes that there is sufficient supply on the domestic market, and that international market prices are relatively high. Industry sources have stated that demand for frozen product in Mexico, and on the international market, has increased in recent years. However, if prices are not attractive, production levels may retreat, as has happened in the past.

Frozen strawberry production for MY 2004/05 and 2005/06 was updated, based on information gathered from processors. According to processors, domestic and international demand is actually greater than previously reported. Therefore, frozen strawberry production for MY 2005/06 was revised upward. MY 2004/05 production was also revised upward from previous estimates. Information on frozen strawberry production is very difficult to obtain because the Mexican government does not maintain official statistics on it, and industry information tends to be limited. However, industry sources did indicate that increased production costs for fresh strawberries have led to increased production costs for frozen strawberries. Furthermore, additional inputs for the process, such as sugar, have driven up processing costs. During the last half of 2006, for example, high sugar prices will force a price increase for several strawberry containing products (see report MX 6085). 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 2005/06 was approximately $5.00 to $6.00 pesos/Kg (U.S. $0.45 to 0.54/Kg).

Aside from the state of Michoacan, growers and buyer/processors generally operate separately. Very few marketing firms collaborate with growers by providing financing for inputs. However, in the states of Baja California, Guanajuato, and Michoacan, the state governments, growers, and agribusiness, are working together to implement internationally recognized phytosanitary and fruit quality standards.

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 because of difficulty securing adequate supplies. Other plants have closed due to a lack of affordable credit. Nonetheless, some plants have survived by processing other fruits during the off-season. Other more sophisticated managers have entered into joint ventures, which has afforded them access to secure credit through foreign companies or 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. Most of the processed strawberries are either packed whole or sliced with sugar. The processors use a wide variety of containers, including 50-gallon drums, 2.5-gallon containers, or consumer ready packages.

CONSUMPTION

According to the industry, frozen strawberry consumption has increased slightly due to increased use of strawberry produce for the bakery and pastry industries. The industry also incorporates frozen strawberries into products like jams, cereals, breads, and yogurts. For MY 2006/07 consumption is forecast at 19,900 MT. As with fresh strawberries, the industry serves the international market first. However, prices on the domestic market have started to eclipse international prices, due to a growth in demand and continued tight supplies. Consumption for MY 2005/06 was revised upward from previous estimates, but is reflecting lower consumption levels compared to MY 2004/05 due to international commitments and lower than expected availability of fresh supplies. MY 2004/05 consumption was also revised upward based on trade information. There are generally no stocks of frozen strawberries because of high storage costs.

TRADE AND MARKETING

Frozen strawberry exports for MY 2006/07 are forecast to increase slightly as long as international demand remains strong and more fresh fruit is available for processing. Exports for MY 2005/06 were revised upward to 45,600 MT, as demand increased and prices were favorable. MY 2004/05 exports were revised downward to 42,934 MT based on official trade data. International market prices for CY 2006 were, on average, $0.52 to $0.61/lb of frozen strawberry, while prices for CY 2005 were between $0.51 and $0.60/lb.

Though the U.S. has historically been the most important exporter of frozen strawberries to Mexico, imports are rather insignificant relative to the total Mexican processed strawberry market. Imports for MY 2006/07 are expected to be slightly lower compared to MY 2005/06 due to greater domestic production. Imports of frozen strawberries for MY 2005/06 were revised downward due to a lower demand than expected because of higher import prices. Imports for MY 2004/05 were revised upward to 2,013 MT based on official trade data. There are no promotional campaigns for frozen strawberries in Mexico.

Under NAFTA, frozen strawberry imports are no longer subject to tariffs. Mexico charges a 20-percent duty on strawberry imports from non-NAFTA countries. The tariff classification number is 08.11.10.01.

SECTION II. STATISTICAL DATA

FRESH STRAWBERRIES TABLE

Mexico									
Strawberries, Fresh						(HA)(MT)			
	2004	Revised		2005	Estimate		2006	Forecast	
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New
Market Year Begin		08/2004	08/2004		08/2005	08/2005		08/2006	08/2006
Area Planted	5180	5180	5656	5200	5200	6000	0	0	6000
Area Harvested	5000	5000	5501	5050	5050	5800	0	0	5800
Production	146000	146000	156640	150000	150000	165000	0	0	166000
Imports	12000	12000	12165	12500	12500	16731	0	0	17000
Total Supply	158000	158000	168805	162500	162500	181731	0	0	183000
Exports, Fresh	54000	54000	50924	55000	55000	70243	0	0	65000
Fresh Dom. Consumption	46100	46100	47881	49500	49500	42888	0	0	46000
For Processing	57900	57900	70000	58000	58000	68600	0	0	72000
Total Distribution	158000	158000	168805	162500	162500	181731	0	0	183000

FROZEN STRAWBERRIES TABLE

Mexico									
Strawberries, Frozen						(MT)			
	2004	Revised		2005	Estimate		2006	Forecast	
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New
Market Year Begin		08/2004	08/2004		08/2005	08/2005		08/2006	08/2006
Deliv. To Processors	57900	57900	72000	58000	58000	68600	0	0	72000
Beginning Stocks	0	0	0	0	0	0	0	0	0
Production	52000	52000	64800	52200	52200	61740	0	0	64800
Imports	2000	2000	2013	2000	2000	1384	0	0	1100
Total Supply	54000	54000	66813	54200	54200	63124	0	0	65900
Exports	43000	43000	42934	43000	43000	45600	0	0	46000
Domestic Consumption	11000	11000	23879	11200	11200	17524	0	0	19900
Ending Stocks	0	0	0	0	0	0	0	0	0
Total Distribution	54000	54000	66813	54200	54200	63124	0	0	65900

STRAWBERRY PRICES

AVERAGE STRAWBERRY PRICES (PESOS / KG) WHOLESALE MARKET BAJA CALIFORNIA			
MONTH	2005	2006	Change %
JANUARY	18.83	16.23	(13.80)
FEBRUARY	10.73	11.50	7.47
MARCH	8.61	9.15	6.27
APRIL	8.33	9.07	8.88
MAY	11.30	12.03	6.46
JUNE	12.05	15.22	26.30
JULY	15.50	20.00	29.03
AUGUST	26.00	--	--
SEPTEMBER	--	--	--
OCTOBER	20.50	--	--
NOVEMBER	18.62	--	--
DECEMBER	22.33	--	--
Tijuana B.C.			

AVERAGE STRAWBERRY PRICES (PESOS / KG) WHOLESALE MARKET MICHOACAN			
MONTH	2005	2006	Change %
JANUARY	10.54	10.00	(5.12)
FEBRUARY	11.54	12.78	10.74
MARCH	8.93	10.13	13.43
APRIL	6.50	9.29	42.92
MAY	6.36	9.63	51.41
JUNE	6.43	8.57	33.28
JULY	7.01	11.90	69.75
AUGUST	9.63	18.16	88.57
SEPTEMBER	13.89	23.02	65.73
OCTOBER	16.16	--	--
NOVEMBER	14.32	--	--
DECEMBER	9.70	--	--
Morelia, Michoacan			

SOURCE: SERVICIO NACIONAL DE INFORMACION DE MERCADOS
2005 Avg. Exchange Rate US$1.00=$10.90 pesos
2006 Exchange Rate September 28, 2006 US$1.00=$11.01 pesos

IMPORTED STRAWBERRY PRICES

AVERAGE WHOLESALE IMPORTED STRAWBERRY PRICES DOLLARS/ BOX (11.5 LBS)			
MONTH	2005	2006	Change %
JANUARY	--	--	--
FEBRUARY	--	--	--
MARCH	--	--	--
APRIL	--	--	--
MAY	10.24	13.56	32.42
JUNE	11.05	12.39	12.12
JULY	12.48	10.10	(19.07)
AUGUST	13.23	12.84	(2.94)
SEPTEMBER	--	13.23	--
OCTOBER	--	--	--
NOVEMBER	--	--	--
DECEMBER	--	--	--
Source: Grupo PM			

TRADE MATRICES

FRESH STRAWBERRIES H.S. 0810.10 EXPORTS FOR MY 2004/05 (Aug-July) TO:		UNITS: METRIC TONS IMPORTS FOR MY 2004/05 (Aug-July) FROM:	
U.S.	50,822	U.S.	12,165
OTHER		OTHER	0
NETHERLANDS	46		
TOTAL OF OTHER	46	TOTAL OF OTHER	0
OTHERS NOT LISTED	56	OTHERS NOT LISTED	0
GRAND TOTAL	50,924	GRAND TOTAL	12,165

SOURCE: Global Information Services, Inc "World Trade Atlas" Mexico Edition, June 2006

FRESH STRAWBERRIES H.S. 0810.10 EXPORTS FOR MY 2005/06 * (Aug-July) TO:		UNITS: METRIC TONS IMPORTS FOR MY 2005/06 * (Aug-July) FROM:	
U.S.	65,964	U.S.	13,091
OTHER		OTHER	
FRANCE	94	FRANCE	0
TOTAL OF OTHER	94	TOTAL OF OTHER	0
OTHERS NOT LISTED	111	OTHERS NOT LISTED	0
GRAND TOTAL	66,169	GRAND TOTAL	13,091

SOURCE: Global Information Services, Inc "World Trade Atlas" Mexico Edition, June 2006
***As of June 2006**

FROZEN STRAWBERRIES H.S. 0811.10 EXPORTS FOR MY 2004/05 (Aug-July) TO:		UNITS: METRIC TONS IMPORTS FOR MY 2004/05 (Aug-July) FROM:	
U.S.	41,497	U.S.	358
Other		Other	
Australia	634	Argentina	1,118
Canada	590	Chile	537
Total of other	1,224	Total of other	1,655
Others not listed	213	Others not listed	0
Grand total	42,934	Grand total	2,013

SOURCE: Global Information Services, Inc "World Trade Atlas" Mexico Edition, June 2006

FROZEN STRAWBERRIES H.S. 0811.10 EXPORTS FOR MY 2005/06* (Aug-July) TO:		UNITS: METRIC TONS IMPORTS FOR MY 2005/06* (Aug-July) FROM:	
U.S.	42,397	U.S.	776
Other		Other	
Australia	700		
Canada	610	Argentina	318
Total of other	1,310	Total of other	318
Others not listed	275	Others not listed	59
Grand total	43,982	Grand total	1,153

SOURCE: Global Information Services, Inc "World Trade Atlas" Mexico Edition, June 2006
***As of June 2006**