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## Mexico

## Strawberries

## Annual

## 2003

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**Report Highlights:**

Fresh strawberry production for MY 2003/04 is not expected to increase over MY 2002/03 production levels. Michoacan, Guanajuato and Baja California continue to be the main producers and exporters of Mexico's strawberries to the U.S. Exports of both fresh and frozen strawberries are expected to increase, due to the weakening of the peso against the U.S. dollar.

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Includes PSD Changes: Yes  
Includes Trade Matrix: No  
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**SECTION I. SITUATION AND OUTLOOK.****FRESH STRAWBERRIES****Production**

Strawberry production for marketing year 2003/04 (August/July) is forecast to remain steady at 140,000 MT, based on the assumption that growing conditions and area planted are similar to those in MY 2002/03. However, according to industry, there has been a trend to reduce strawberry planted area, due to low market prices in previous years, no access to credits, and increases in the costs of production. Industry maintains that this trend is most obvious in the state of Guanajuato, where area planted has been fluctuating. The state of Michoacan has maintained almost the same area planted. Growers indicate that this state is better organized with regard to strawberry production and trade as evidenced by the State Strawberry Council's regulation of strategies to handle harvest, packing, industrialization and commercialization of strawberries in both the domestic and international markets. Area planted for MY 2003/04 is forecast at 5,800 Ha, the same as in MY 2002/03. Strawberry production estimates, as well as area planted and harvested for MY 2001/02 and 2002/03 were revised upward based on official estimates. According to official information, after consecutive years of decreasing area, the state of Guanajuato increased area planted in MY 2002/03. However, the industry believes these estimates to be high.

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. These include Camarrosa, Driscoll, Duran, Pacifico, Parker, Aroma, Chandler, Seascape, Pajaro, Solana, Selva, and Oso Grande. According to growers, the Camarrosa disease resistant variety from California is planted in about 25 percent of the area in Guanajuato, and about 40 percent of the area is planted with the Chandler variety. In Zamora, Michoacan, these two varieties account for approximately 80 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 from February to April for Guanajuato. The harvest season for Baja California is January-June, with the peak harvest in March-April.

The state of Michoacan, which is the most important growing region for the winter crop, is the first one to reach the market. According to producers, approximately 70 to 80 percent of the Michoacan strawberry production goes to the processing industry and 20 to 30 percent to the fresh export market. Growers living in the neighboring state of Guanajuato grow strawberries in Michoacan because they can harvest them earlier and have better opportunities to receive higher prices and profits for their crop. The state of Guanajuato, which is more important for the summer cycle, markets its crop 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. 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 harvests during the winter cycle and its strawberries are also marketed early in the season and therefore garner higher prices. Most of Baja's strawberry production goes to the fresh export market. However, some fruit from Baja is being processed in Guanajuato.

Strawberry yields in Mexico vary greatly depending upon variety, area, and weather conditions. If weather conditions remain good for MY 2003/04, overall yields are expected to be about 24 MT/Ha. Well-tended areas, however, can produce as much as 35 MT/Ha. Yields in Baja California tend to be the highest and can reach 40-50 MT/Ha.

Average costs of production for MY 2003/04 are expected to approximate MY 2002/03 production costs. The average cost to establish a hectare of strawberries in Guanajuato is approximately 90,000 to 100,000 pesos/Ha (US\$7,964 to \$8,850/Ha) with advanced technology, and about 60,000 pesos/Ha (US\$5,310/Ha) with less quality control technology. However, this less advanced technology is not as competitive and is therefore being used less. Michoacan average production costs are higher at approximately 115,000 to 120,000 pesos/Ha (US\$10,177 to \$10,619/Ha) with advanced technology, and less than 100,000 pesos/Ha (US\$8,850/Ha) for less quality control technology. Advanced technology costs include drip irrigation and plastic mulch; the latter averages US\$800 per hectare. The average production cost for an already established bed is approximately 46,000 to 56,000 pesos/Ha (US\$4,070 to \$4,955/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. Payment of royalties has been an issue, as royalties have almost more than doubled.

All Mexican strawberries are irrigated. Labor costs are about 75 to 100 pesos/per shift (US\$6.63 to 8.85 per shift). Some workers want to be paid by the number of baskets picked rather than by the shift. Labor is especially scarce in Guanajuato because several new industries like the automotive, steel and "maquiladoras" are hiring farm laborers away. As a result, strawberry producers have to pay higher wages — practically 90 to 110 pesos/shift (US\$7.96 to \$9.73/shift) — to attract workers. (Note: the official minimum wage for farm workers is approximately US\$3.98 per day.)

## CONSUMPTION

Fresh strawberry consumption for MY 2003/04 is forecast at 62,800 MT, a slight decrease compared to MY 2002/03, due to expected higher retail prices for domestic and imported strawberries. The tendency is to serve the international market first, so the final consumption figure will ultimately depend on the strength of the consumer purchasing power and the demand for fresh strawberries from the international market. The MY 2002/03 consumption estimate was revised upward, reflecting stronger demand. In fact, processing plants indicate that, despite the fact that international demand for processed strawberries is high, the processing industry has been unable to increase its sales, due to increased demand from the fresh domestic market. Consumption data for MY 2001/02 was revised upward, also reflecting strong demand. 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.

Farmgate prices for strawberries for the fresh domestic market for MY 2003/04 are expected to be similar to MY 2002/03. Prices for MY 2002/03 were approximately 5.00 pesos/kg (US\$0.44/kg) for average quality and about \$6.00 pesos/kg (US\$0.53/kg) for good quality. Producers indicated, however, that farmgate prices are also influenced by the international market. Domestic market prices for MY 2002/03 were on average lower than those in MY 2001/02. Prices for the domestic market are usually higher during the export season in the

winter months. Imported strawberries from the United States began in July 2003 at approximately \$21.00 pesos/kg (US\$1.85/kg) and increased to nearly 28.00 pesos/Kg (US\$2.47/Kg) at the wholesale market at the end of August 2003, 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 2003/04 are forecast to increase slightly to 38,000 MT, unless there is strong demand from the domestic market. It is expected that the weakening of the peso against the U.S. dollar will boost Mexican strawberry exports for MY 2003/04. The export estimates for MY 2001/02 and 2002/03 have been revised upward, based on official data. Imports of fresh U.S. strawberries supply the Mexican market from May through November. Imports of U.S. strawberries for MY 2003/04 are not expected to increase much compared to MY 2002/03, because the strengthening of the U.S. dollar (vs. the Mexican peso) is expected to increase prices significantly. Strawberry imports for MY 2001/02 and 2002/03 were revised upward, based on official data. Growers indicate that some imported strawberries were used by the processing industry.

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, in response, in part, to promotional campaigns by the California Strawberry Commission in chain stores in several Mexican 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 to be 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 learned how to better display, sell and preserve strawberries through technical seminars which have been sponsored by the California Strawberry Commission in more than 30 cities. 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 2003/2004 (Aug/July) is forecast to remain steady at 51,200 MT, due to a continued competition with the fresh market. According to industry sources, frozen strawberry production has had problems in past years, due to the lack of strawberries for processing in the domestic market. Growers indicate that low international market prices in past years has driven down production of frozen strawberries, and even though demand has been picking up, there is still not enough fresh product. Total production, however, may rise if more strawberries are diverted from the fresh market. Producers indicated that this could only happen if international market prices for processed product continue to be attractive. Growers and buyers/processors generally operate separately and there is very little integration with respect to marketing firms providing input to growers. 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 have brought more integration and better financing. Together they have implemented improvements in quality control. However, despite these efforts, some strawberry processing companies have closed and others can only survive by processing other fruits.

Frozen strawberry production for MY 2002/03 was revised only slightly upward because of better international demand offset by the expectation of less fruit available, due to reduced plantings in Guanajuato. Frozen strawberry production for MY 2001/02 was revised upward based on available information and stronger international demand. 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 sources did indicate that 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 2002/03 was approximately 4.50 to 5.50 pesos/Kg (US\$0.39 to 0.48/Kg), while average farmgate prices for the fresh market were on average 5.00 to 6.00 pesos/kg (US\$0.44 to \$0.53/kg). Strawberry producers expect farmgate prices for processing to rise to 5.50 pesos/kg or more (US\$0.49/kg) for MY 2003/04.

## CONSUMPTION

Frozen strawberry consumption for MY 2003/04 is forecast to decrease compared to MY 2002/03, due to expected higher retail prices. As with fresh strawberries, the industry serves the international market first. However, in MY 2002/03, the domestic market began to pay slightly better than international markets, due to a growth in demand. According to industry, annual average consumption generally ranges between 10,500 to 11,500 MT. The industry recognizes that there is a need for more advertising and campaigns to promote this product. Industry incorporates frozen strawberries in products like jams, breads and yogurts. The MY 2002/03 consumption estimate was revised upward reflecting an increase in demand. Consumption for MY 2001/02 was also revised upward based on available information. There are generally no stocks of frozen strawberries because of high storage costs.

## TRADE AND MARKETING

The export forecast for frozen strawberries for MY 2003/04 is expected to increase over MY 2002/03 estimates, due to good international demand. Also, the weakening of the peso against the U.S. dollar will boost Mexican frozen strawberry exports. Export estimates for MY 2002/03 were revised upward reflecting stronger international demand and good prices. However, the industry reports that demand for frozen strawberries has not yet been met, due to the low availability of strawberries. International market prices in CY 2002 began at US\$0.50/lb, while international prices for CY 2003 began higher at US\$0.58/lb leading Mexico to export more volume. Final export estimates for MY 2001/02 were also revised upward based on available information.

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 increased domestic demand. Frozen strawberry imports for MY 2003/04 are forecast at 600 MT, less than in MY 2002/03, due to the unfavorable exchange rate. Import estimates for MY 2002/03 were revised upward, due to stronger demand. Estimates for MY 2001/02 were revised upward based on recent trade information. There are no promotional campaigns for frozen strawberries in Mexico.

NAFTA tariffs in 2003 are zero. Mexico charges a 20 percent duty on strawberry 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	México					
Commodity	Fresh Strawberries				(HA)(MT)	
	2001 Revised		2002 Estimate		2003 Forecast	
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin	08/2001		08/2002		08/2003	
Area Planted	5655	5882	5660	5800	0	5800
Area Harvested	5575	5849	5580	5750	0	5750
TOTAL Production	130000	142244	131000	140000	0	140000
Imports, Fresh	10700	11306	10900	11939	0	12000
TOTAL SUPPLY	140700	153550	141900	151939	0	152000
Exports, Fresh	37500	37726	37500	37782	0	38000
Domestic Fresh Market	54540	64824	55400	62957	0	62800
For Processing	48660	51000	49000	51200	0	51200
TOTAL UTILIZATION	140700	153550	141900	151939	0	152000



## Frozen Strawberries

PSD Table						
Country	Mexico					
Commodity	Frozen Strawberries					(MT)
	2001 Revised		2002 Estimate		2003 Forecast	
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin	08/2001		08/2002		08/2003	
Deliv. To Processors	0	0	0	0	0	0
Beginning Stocks	0	0	0	0	0	0
Production	48660	51000	49000	51200	0	51200
Imports	265	405	290	1786	0	600
TOTAL SUPPLY	48925	51405	49290	52986	0	51800
Exports	38275	40204	38590	41378	0	41500
Domestic Consumption	10650	11201	10700	11608	0	10300
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	48925	51405	49290	52986	0	52100

## PRICES

AVERAGE MONTHLY STRAWBERRY PRICES PESOS PER KILOGRAM					
MONTH	2002		2003		Change %
JANUARY	15.62		12.07		(22.73)
FEBRUARY	11.45		10.21		(10.83)
MARCH	10.83		10.85		0.18
APRIL	11.66		11.61		(0.43)
MAY	12.83		17.70		37.96
JUNE	14.16		18.56		31.07
JULY	22.83	*	20.95	*	(8.23)
AUGUST	28.00	*	27.84	*	(0.57)
SEPTEMBER	21.64	*	N/A		N/A
OCTOBER	20.32	*	N/A		N/A
NOVEMBER	21.80	*	N/A		N/A
DECEMBER	19.83		N/A		N/A

SOURCE: SERVICIO NACIONAL DE INFORMACION DE MERCADOS

2002 Avg. Exchange Rate US\$1.00=\$9.82 pesos

2003 Exchange Rate September 15, 2003 US\$1.00=\$10.97 pesos

NOTE: - "\*" REPRESENTS PRICES FOR IMPORTED STRAWBERRIES. DOMESTIC STRAWBERRIES PRICES WERE NOT AVAILABLE. OTHER PRICES REPRESENT DOMESTIC PRICES ONLY.

## TRADE MATRIX

Strawberries, Fresh			H.S. 0810.10			UNITS: METRIC TONS		
EXPORTS TO:	2002	2003*	IMPORTS FROM:	2002	2003*			
U.S.	37,386	36,298	U.S.	13,745	3,926			
OTHER			OTHER					
CANADA	31	96		0	0			
TOTAL OF OTHER	31	96	TOTAL OF OTHER	0	0			
OTHERS NOT LISTED	2	4	OTHERS NOT LISTED	0	0			
GRAND TOTAL	37,419	36,398	GRAND TOTAL	13,745	3,926			

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

\* As of June 2003.

Strawberries, Frozen			H.S. 0811.10			UNITS: METRIC TONS		
EXPORTS TO:			IMPORTS FROM:					
	2002	2003*		2002	2003*		2002	2003*
U.S.	37,390	39,233	U.S.	1,079	118			
OTHER			OTHER					
CANADA	1,076	516	CHILE	264	80			
JAPAN	1,056	221	AUSTRIA	123	122			
TOTAL OF OTHER	2,132	737	TOTAL OF OTHER	387	202			
OTHERS NOT LISTED	12	72	OTHERS NOT LISTED	157	22			
GRAND TOTAL	39,534	40,042	GRAND TOTAL	1,623	342			

**SOURCE:** Global Trade Information Services, Inc. "World Trade Atlas" Mexico Edition.

\* As of June 2003.